



# MAJOR ELECTRICITY USERS' GROUP

8 September 2014

Matt Lewer  
Chief adviser, Regulation  
Commerce Commission

By email to [regulation.branch@comcom.govt.nz](mailto:regulation.branch@comcom.govt.nz)

Dear Matt

## **MEUG cross-submission on expert reports for Transpower NIGU Project**

1. This is a cross-submission by the Major Electricity Users' Group (MEUG) on views of Transpower to the Commerce Commission consultation paper<sup>1</sup> "Reviews of the Alliance contract arrangements, and property and easement acquisition for Transpower's North Island Grid Upgrade Project" (NIGUP) dated 11<sup>th</sup> August 2014. On 1<sup>st</sup> September 2014 Transpower made separate submissions on the expert advice to the Commission by Calverton and Strata Energy.
2. Members of MEUG have been consulted in the preparation of this submission. This submission is not confidential.

### **2013 Need Date**

3. Transpower's submission on the Calverton report discusses the "2013 need date" that justified the Electricity Commission approving recovery of NIGUP costs in interconnection charges and thereby clearing the way for the Transpower Board to make the commercial decision whether to proceed or not. Under the heading "Demand forecasting approach was reviewed in 2012" (page 4) Transpower discuss the timeline when the demand forecast methodology was reviewed and Transpower realised the need date had changed. Transpower states:

*"However, by that time, the NIGU project was in full swing and was only months away from commissioning. An option to defer the project was neither reasonably or economically available."*

4. NIGUP was commissioned in last quarter of 2012. The reference to "only months away" in the preceding quote implies Transpower's demand forecasts only started showing the need date slipping out in 2012. That is inconsistent with the statement on page 6 of Transpower's submission of 17<sup>th</sup> January 2014:

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<sup>1</sup><http://www.comcom.govt.nz/regulated-industries/electricity/electricity-transmission/transpower-major-capital-proposal/amending-the-allowance-and-outputs-for-the-north-island-grid-upgrade-project/>

*“As explained in detail in our response the Commission’s question Q001, the prudent peak forecasts that we were required to use in assessing the need date for the NIGU Project did not change materially until 2011, at which point the Project was well underway and deferral was not reasonably an option.”*

5. The Commission needs to fully understand when Transpower became aware that the need date had slipped because there is an inconsistency in the timeline as told by Transpower. More importantly the Commission needs to consider if the delay in Transpower robustly examining its demand forecasting methodology given the clear risks to future demand as the 2007-08 Global Financial Crisis crystallized was Good Electricity Industry Practice (GEIP). MEUG thinks not as explained in our cross-submission on 31<sup>st</sup> January 2014.

**Avoidable property related costs for Otahuhu cable sub-project**

6. Transpower submit the Commission should ignore the query in the Calverton report that property-related costs for the Otahuhu cable sub-project should not be considered recoverable from transmission customers. MEUG oppose Transpower’s submission. Transpower could have avoided incurring additional property costs if original scoping of the work had been undertaken using GEIP and therefore uncovered the fact that use of roads to route the cable were not feasible.

Yours sincerely



Ralph Matthes  
Executive Director