

25 January 2024

Matthew Clark
Manager, Transpower and Gas
Commerce Commission
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Sent via email: infrastructure.regulation@comcom.govt.nz

Dear Matthew

Draft decision and reasons paper: Transpower's NZGP stage 1

1. This is a cross-submission from the Major Electricity Users' Group (MEUG) on the Commerce Commission's (Commission) consultation paper "*Transpower's Net Zero Grid Pathways stage one major capex proposal: Draft decision and reasons paper*"¹ published for consultation on 16 November 2023.
2. MEUG members have been consulted on the approach to this cross-submission. Members may lodge separate cross-submissions. This cross-submission does not contain any confidential information and can be published on the Commission's website unaltered.

Range of benefits possible from HVDC upgrade

3. Both Meridian² and Contact Energy³ clearly set out the benefits possible from the HVDC upgrade investment and the ongoing importance of the HVDC connection to the energy transition. The gentailers assert that:
 - It would enable the deployment of low-cost renewable generation development in the South Island, supporting greater electrification.
 - This investment will provide greater access to flexibility firming plant (hydro in the South Island) as New Zealand incorporates greater levels of intermittent generation (solar / wind) into our energy mix, improving security of supply in the North Island during peak periods.
 - The additional reactive support from the HVDC upgrade will provide redundancy to cover aging HVDC assets and increased outages.

¹ https://comcom.govt.nz/data/assets/pdf_file/0022/334282/NZGP-draft-decision-reasons-paper-16-November-2023.pdf

² Meridian submissions, 14 December 2023, https://comcom.govt.nz/data/assets/pdf_file/0034/338479/Meridian-NZGP1-submission-on-draft-decision-14-December-2023.pdf

³ Contact Energy submission, 14 December 2023, https://comcom.govt.nz/data/assets/pdf_file/0033/338478/Contact-Energy-NZGP1-submission-on-draft-decision-14-December-2023.pdf

- Both Meridian and Contact believe that the HVDC upgrade should commence as soon as possible, and the upgrade should not be dependent on decisions regarding the Tiwai smelter. We agree with the benefits discussed above, and believe that the upgrade, by enabling new generation investment, should put downward pressure on wholesale prices. We would expect to see these types of benefits reflected in Transpower's demonstration of the positive net market benefits from this project (if not already accounted for).

Communicating the final decision

- MEUG supports the points raised by the Consumer Advocacy Council about the importance of public scrutiny and demonstration that there are clear benefits to consumers from this package of investment. We agree with the suggestion that:

“the Commission considers including additional details in its final decision about the consultation process that Transpower would be expected to undertake to ensure there is adequate public scrutiny.”⁴

- We recommend that the Commission's final decision include details regarding the process that Transpower should follow for providing the HVDC assurance information. This should require the publication of a summary of the decision to proceed, an overview of the final cost-benefit analysis, and the requirement to inform all interested parties, be it directly and/or via publication on Transpower's website.
- MEUG notes that there were only five submissions⁵ received on this draft decision. The limited level of engagement by the electricity sector may reflect on the robustness of the consultation process undertaken by Transpower prior to submission of its application to the Commission. However, it is concerning that there is such little commentary on such a significant investment (\$392.9 million) into New Zealand's electricity transmission network. The Commission may want to explore what other ways it can gain feedback from stakeholders on major capital proposals going forward.

Next steps

- If you have any questions regarding our cross-submission, please contact MEUG on 027 472 7798 or via email at karen@meug.co.nz.

Yours sincerely



Karen Boyes
Major Electricity Users' Group

⁴Consumer Advocacy Council submission, 14 December 2023, https://comcom.govt.nz/_data/assets/pdf_file/0032/338477/Consumer-Advocacy-Council-NZGP1-submission-on-draft-decision-14-December-2023.pdf

⁵ Consumer Advocacy Council, Meridian, Contact and Nova, alongside MEUG.