

28 May 2024

Stephen Jones
Grid Investment Group Manager
Transpower
PO Box 1021
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Sent via email: nzqp@transpower.co.nz

Dear Stephen

HVDC Stage 1 Enhancement

1. This is a submission from the Major Electricity Users' Group (MEUG) on Transpower's consultation paper "*HVDC Stage 1 Enhancement Project Analysis: Net Zero Grid Pathways 1.1*"¹ published for consultation in May 2024.
2. MEUG members have been consulted on the approach to this submission. Members may lodge separate submissions. This submission does not contain any confidential information and can be published on Transpower's website unaltered.

Support for updated modelling of HVDC project

3. MEUG welcomes Transpower undertaking further consultation on its updated modelling and project analysis for the HVDC Stage 1 Enhancement project. As we noted in our submission on the Net Zero Grid Pathways stage one major capex proposal,² we recommended that Transpower provide stakeholders with greater assurance on the benefits of the HVDC project before proceeding. We were pleased to see the Commerce Commission include this requirement in their final decision³.
4. We appreciate Transpower including discussion on this modelling in their recent customer webinar held on 15 May 2024. It was beneficial for stakeholders to hear directly from the project staff and have the opportunity to ask questions directly of the staff involved with the modelling. The only query raised by MEUG surrounds the level of battery storage included in the modelling and whether this reflects the current number of projects being signalled by the market for development.

¹ https://static.transpower.co.nz/public/2024-05/HVDC%20Stage%201%20Enhancement%20Project%20Analysis%20-%20May%202024.pdf?VersionId=eaV7NyZvIVH0Zrz9Z1Hbdo3_X9NT.wF

² <http://www.meug.co.nz/node/1333>

³ https://comcom.govt.nz/_data/assets/pdf_file/0027/344583/Transpower-Net-Zero-Grid-Pathways-stage-one-Final-decision-and-reasons-paper-28-February-2024.pdf

5. Overall, MEUG considers that the modelling assumptions seem prudent, and the net benefits stack up against the selected range of sensitivities. We support Transpower moving forward with this project, as part of the broader NZGP project.

Optimising the HVDC link

6. As raised in our submission on the future role of HVDC paper⁴, MEUG considers that there are several other factors that need to be considered to ensure that we can optimise the use of the HVDC going forward:
 - a. Optimising North Island (NI) reserves to support the optimal flow across the HVDC.
 - b. Ensuring that we have sufficient peaking capacity to meet demand.
 - c. Addressing price concerns around who pays for investments in peaking, additional infrastructure and who bears the risk.
 - d. Encouraging more action to flatten the demand curve and optimize use of existing infrastructure across both the transmission and distribution networks.
7. We look forward to hosting Transpower at our May 2024 meeting to discuss the role of the HVDC, and welcome continued discussions about the operation and optimisation of New Zealand's transmission network. If you have any questions regarding our submission, please contact MEUG on 027 472 7798 or via email at karen@meug.co.nz.

Yours sincerely

A handwritten signature in black ink, appearing to read "K Boyes", with a long horizontal flourish extending to the right.

Karen Boyes
Major Electricity Users' Group

⁴ <http://www.meug.co.nz/node/1361>