

9 July 2020

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

Dear Matthew

**Draft decision on Stage 1 of Waikato and Upper North Island Voltage Management staged major capex project Upper Waitaki Line Project**

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Commerce Commission Draft decisions and reasons paper on Stage 1 of Transpower's Waikato and Upper North Island Voltage Management (WUNIVM) major capex project dated 16<sup>th</sup> June 2020.<sup>1</sup>
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. MEUG previously submitted to Transpower on this project in August 2016.<sup>2</sup> We had concerns at that time with forecast demand assumptions. We continue to have concerns demand may be over-inflated. We are not as confident as the view in the draft decision that the effects of COVID-19 will have little effect on forecast demand growth for the next 5 to 10 years. It is also unclear how implementation of the new Transmission Pricing Methodology (TPM) based on the TPM Guidelines published 10<sup>th</sup> June 2020 will affect new demand growth, the behaviour of existing users and whether a transitional mechanism towards benefit-based charges will be adopted. If demand in the proposal and draft decision is overstated and a lower demand growth assumed then this would partly defer the need date for this work. We agree though that the primary driver of the optimal timing is when the Rankine units will be retired as discussed in the next two paragraphs.
4. The draft decision explains that the key driver for the delivery of stage one before winter 2023 is the assumption the Rankine units will be retired in 2022. We agree. There was, up until the announcement today that the Tiwai smelter will exit by August 2021, some uncertainty on whether the Rankine units will retire at that or a later date. The draft decision allows up to 2030 for Transpower to use the draft approved capex to reflect

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<sup>1</sup> Webpage <https://comcom.govt.nz/regulated-industries/electricity-lines/projects/waikato-and-upper-north-island-voltage-management> and URL [https://comcom.govt.nz/\\_data/assets/pdf\\_file/0030/218676/WUNIVM-major-capex-proposal-Draft-decision-and-reasons-paper-16-June-2020.pdf](https://comcom.govt.nz/_data/assets/pdf_file/0030/218676/WUNIVM-major-capex-proposal-Draft-decision-and-reasons-paper-16-June-2020.pdf)

<sup>2</sup> Refer <http://www.meug.co.nz/node/799>

uncertainty on when the work may be undertaken to align with better information on when the Rankine units will retire. Following today's announcement of the closure of the Tiwai smelter it is more likely Genesis Energy will confirm early closure of the Rankine units.

5. However, prior to today when it has become clear the Rankine units will exit sooner rather than later, MEUG had little confidence Transpower would have optimised implementation of an approved WUNIVM to align with any delay beyond 2022 for the Rankine units to exit the market. That lack of confidence is because of our experience with the poor process, transparency and accountability by Transpower in making the recent decision to proceed earlier than needed with the Clutha Upper Waitaki Line Project.<sup>3</sup> MEUG is not sure if and how the Commission's determination to approve this work could be fashioned to solve this problem for future decisions. It may be an issue Transpower may have a solution for in cross-submissions.
6. MEUG is not satisfied the option of using demand side management to defer WUNIVM capex has been proactively considered by Transpower. In particular:
  - a) Transpower issued a second RFI for Non-Transmission Solutions (NTSs) on 2<sup>nd</sup> October 2019. As at the date of the draft decision Transpower have yet to advise the outcome of that RFI.
  - b) Enel X New Zealand noted a barrier to making a business case to provide a commercial demand side management solution was structuring an arrangement to have fixed availability payments. There is a question of whether Transpower proactively considered that option.

Yours sincerely



Ralph Matthes  
Executive Director

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<sup>3</sup> Refer emails MEUG and Transpower in July 2020.