

3 November 2022

Joel Cook
Head of Regulation
Transpower
By email to rcp4@transpower.co.nz

Dear Joel

RCP4 Plan Draft Consultation

1. This is a submission from the Major Electricity Users' Group (MEUG) on Transpower's "RCP4 Consultation," published 23 September 2022.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Members may lodge separate submissions.
3. MEUG appreciates the multiple opportunities Transpower have provided members and MEUG to provide feedback at key stages of the work in preparing the draft RCP4 consultation material, to be briefed and most recently a be-spoke meeting with MEUG members and Transpower on 18 October. These engagements have been well-run and helpful.
4. Section 1.2 (p5) of the consultation paper, has 5-key messages. The one message that will need careful consideration by Transpower in finalising a proposal to lodge with the Commission at the end of next year, and the Independent Verifier to consider early next year is:

“Continuing to supply a reliable and safe service while meeting the challenge of enabling electrification, comes at a cost. To ensure our assets and critical systems provide fit-for-purpose service, and we meet Aotearoa New Zealand’s net zero emission objective, we believe we need to act now. The most cost-effective outcome for consumers over the long-term is our proposed RCP4 plan. Deferring expenditure may reduce consumers’ monthly bills by a few dollars now, but it would come at an increased cost and risk over the long-term.”

5. The evidence and analysis to support an “act now” approach to avoid worse long-term benefit outcomes for consumers is not compelling. MEUG’s concerns include:

¹ Document URL https://tpow-corp-production.s3.ap-southeast-2.amazonaws.com/public/plain-page/attachments/Transpower%20RCP4%20Consultation.pdf?VersionId=xQvdzkW9fCPzyDrm4T14V5ik0LP_sahK at <https://www.transpower.co.nz/our-work/industry/regulatory-control-periods/rcp4/consultation-our-draft-rcp4-proposal>

- MEUG is wary of calls for immediate action because overwhelming harm would otherwise ensue and hence there is no need for best practice policy due diligence. From experience we have found many of those “must-do-now” policy decisions have turned out to be poor decisions. Hence our caution when reading this key message as part of the key assumptions framing the RCP4 proposal.
 - In the transition to achieve net zero emissions by 2050 a key uncertainty is the rate of change in enabling technologies and innovative new business models and practices (collectively called innovations) that are both improvements on existing technologies and practices, and innovations yet to be discovered. The rate of innovation to the demand side and generation sectors is a well traversed and considered topic. There will also be grid and low voltage distribution network innovations and those need to be considered for RCP4. The benefits and costs of waiting to take advantage of future new grid and low voltage network innovations to align in time more closely with the expected step change in demand in RCP5 and RCP6 needs further consideration.
 - Innovative technology and practices will likely assist get more out of existing assets. Are there opportunities to be more flexible to get more out of the existing grid to offer customers a probability weighted level of service between N-1 and N security of supply? For example, greater use of variable line ratings and run backs to provide more breathing space before major capital expenditure is required.
 - Both grid and large-scale generation investment suffer from consenting processes with long-lead times and uncertainty of outcomes. There is an opportunity for Parliament to address those concerns in the current process to repeal the RMA and enact new laws to transform the way the environment is managed. We may get more certainty on whether this risk will be mitigated next year as proposed legislative changes are progressed.
6. The question of pro-actively investing now for future potential benefit and the potential residual risk that benefit might not arise and therefore be paid by customers that don't benefit was raised in MEUG's submission on the Net Zero Grid Pathways phase 1 (NZGP1) proposal. Refer the detailed analysis by NZIER for MEUG of the net benefit test for the NZGP1 proposal (refer <http://www.meug.co.nz/node/1227>) that aligns with our concern on the key message in the RCP4 proposal quoted in paragraph 4 of this submission.

Yours sincerely



Ralph Matthes
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