

15 August 2022

John Clarke
General Manager Grid Development
Transpower
By email to nzgp@transpower.co.nz

Dear John

Net Zero Grid Pathways 1 Major Capex Project (staged) investigation shortlist consultation

1. This is a submission from the Major Electricity Users' Group (MEUG) on the Transpower paper "Net Zero Grid Pathways 1 Major Capex Project Investigation shortlist consultation" 20 June 2020.¹ Abbreviated NZGP1 staged investigation proposal.
2. Attached and to be read as part of the MEUG submission is an independent expert report by Mike Hensen, Senior Economist, NZIER, "Net Zero Grid Pathways 1, shortlist consultation, NZIER report to MEUG" 15 August 2022.
3. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Members may also make separate submissions.
4. MEUG appreciates Transpower undertaking extensive consultation, an opportunity to attend webinars and the 6-week period for submissions on this consultation paper. No cross-submission phase or further consultation on key issues discovered from this consultation ahead of lodging a MCP in late November is planned. MEUG suggests those additional process steps should be considered. The NZIER report raises several questions on the analysis, interpretation of results, and further information required by parties that will pay for the investment. For example, see the final sentences of each of the three key points on pages i and ii:
 - "If the flexibility in generation sites is going to be considered in the selection of grid upgrade options, then the benefits to consumers that are attributable to that flexibility need to be quantified so that they can be compared to the additional costs that consumers will incur."

¹ URL for document with all submissions is https://www.transpower.co.nz/sites/default/files/uncontrolled_docs/NZGP1%20Shortlist%20Version%20For%20Publication.pdf at <https://www.transpower.co.nz/NZGP>.

- “The indicative allocation of costs to consumers does not describe how changes in the location of load and generation have been modelled and how the structural changes might affect the allocation of benefits and therefore costs to grid users over time as new generation is connected and industrial use changes.”
 - “Given the uncertainty around the timing and speed of the expected structural change on both the demand and generation sides of the market a more detailed discussion of the costs and benefits of different timings of the upgrade would be required to satisfy parties that will be paying for this work that the timing is optimal.”
5. Ideally the above should be resolved before the MCP is lodged.
 6. A lesson from the Clutha Upper Waitaki Line Project (CUWLP) was that some beneficiaries can contract with Transpower for early stages of an approved MCP. MEUG suggests the possibility of be-spoke project funding for early investigative or readiness capex needs to be further considered for the projects in the NZGP1 staged investigation proposal. Generators will have more information about the need (timing and scope) for grid enhancement than either Transpower, the Commission, or other beneficiaries. Those generators have an incentive to avoid the risk of delays to critical investigative stages. Hence exploring how the staged investigations might be presented to allow generators to consider be-spoke funding similar to how initial CUWLP capex was funded should be considered.

Yours sincerely



Ralph Matthes
Executive Director