

21 June 2022

Rebecca Osborne
Head of Grid Pricing Strategy
Transpower
By email to tpm@transpower.co.nz

Dear Rebecca

TPM CUWLP BBI cross-submission

1. This is a cross-submission from the Major Electricity Users' Group (MEUG) on the submissions of eight other submitters on the draft Clutha Upper Waitaki Line Project (CUWLP) Benefit Based Investment (BBI) calculation.¹ MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Members may lodge separate submissions.
2. There were no submissions by other parties that have changed MEUG's views in the submission on 14th June 2022.
3. MEUG supports the request by the Electricity Networks Association (ENA) for information from Transpower:

“On behalf of Transpower's EDB customers, ENA requests that Transpower provides ENA (retrospectively) an economic options' analysis of the CUWLP investment decision.”²
4. MEUG shares the same concerns as ENA that support the request for information. Other submitters had similar concerns that MEUG would also like answers to, including:
 - More information is required to understand why cl. 51 of the new TPM provisions (replaced TPM in Schedule 12.4 of the Code³) headed “Calculation of Market Regional NPB based on Quantity”, was used rather than cl. 52, “Calculation of Market Regional NPB based on Price and Quantity”.⁴
 - Transpower's conflict of interest being both accountable for the historic CUWLP investment decision in 2020 and being tasked with using that controversial decision as the first test case for applying BBI. As ENA put it (p2) “It is highly undesirable for charges to be calculated separately from the investment decision.”

¹ Submissions at <https://www.transpower.co.nz/our-work/industry/transmission-pricing-methodology/tpm-consultations-2022>

² ENA submission p6.

³ Code change certified 11 April 2022 to come into effect 1 April 2023, refer <https://www.ea.govt.nz/assets/dms-assets/30/Certified-Instrument-TPM-Transmission-Pricing-Methodology-2022.PDF>

⁴ Refer submissions by Vector, and by Southern Generation. The latter in response to Q2, referring to paragraph [65] of the consultation paper in section 8.3.6, New Generation.

5. Depending on the information provided by Transpower, a further round of consultations may be desirable. MEUG acknowledges this would be a significant additional step in the already intensive and fast-paced programme Transpower must meet to publish prices for its customers in 2022Q4 for implementing the new TPM regime from 1st April 2023. However, the issues at stake with the CUWLP BBI go to the heart of confidence by the sector in the new TPM and the accountability of Transpower in making the decision to proceed with CUWLP in 2020.
6. For the latter we need to test whether Transpower's decision to commence work on CUWLP was best from a "NZ Inc. perspective" or whether a delay would have been better until the situation around Tiwai had been clarified. If the latter is true, then consumers and generators are being asked to pay for the actual cost of CUWLP earlier than necessary. A remedy in that case would be for the Transpower Board to acknowledge the unilateral and controversial decision to proceed with CUWLP was not least cost and to bear the cost relative to the least cost counterfactual of delaying.
7. Several submissions suggested lessons learned from the draft CUWLP BBI for the draft BBC assumptions book.⁵ MEUG agrees those may have merit and should be considered, e.g.,
 - BBI should allow modelling of potential new large loads.
 - A scenario to be used is assuming the Lake Onslow pumped storage project proceeds given observed Government preference to promote that project.⁶
8. MEUG notes, though has no view at this time, on other details raised by submitters that need to be clarified and the market informed of final decisions before prices for 2023-24 are posted, e.g.,
 - In 2020, was it reasonable to assume Refining NZ would exit the market in 2026.⁷
 - Waipori power station as a storage scheme rather than run-of-river.⁸

Yours sincerely



Ralph Matthes
Executive Director

⁵ These are in addition to themes already raised in the consultation round just concluded on the draft BBC assumptions book.

⁶ Refer Manawa Energy, paragraph 1.2, p2.

⁷ Refer Northpower, section 3.4, pp6-7.

⁸ Refer Manawa Energy, paragraph 1.5, p3.