

TRANSPOWER

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Regulation branch
Commerce Commission
PO Box 2351
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By email: regulation.branch@comcom.govt.nz

Listed Projects decision: Oteranga Bay - Haywards A line

We welcome the opportunity to submit to points raised by Meridian Energy's submission to the Commerce Commission's draft decision on our application for base capex funds to reconductor the Churton Park section of the Oteranga Bay – Haywards A line (OTB-HAY A line).

Meridian submitted that it is “comfortable with Transpower's application and the Commission's evaluation and draft decision as it relates to the forecast \$23.5 million in forecast reconductoring costs”.¹ We appreciate Meridian's support.

Below we respond to two points raised in Meridian's submission:

- whether the benefit of reduced reserves costs was taken into account in the assessment of bypass options; and
- “that Transpower as the owner and operator of the HVDC plant should have an incentive to manage the risk their plant introduces to the market”², including reference to a forum held by Transpower as part of the consultation process to seek stakeholder feedback on “several initiatives which could reduce the additional reserve requirements on the HVDC during these works and hence also the reserves costs incurred”.³

The bypass options evaluated do account for reserves costs

In response to generators' concerns about the impact of outages we considered a variety of options to mitigate the impact, including installing a full bypass line, a partial by-pass line or an electrode bypass. We confirm that the incremental HVDC reserve costs were included in our assessment of each option.

System operator to explore HVDC risk

Transpower, as the system operator, is currently [reviewing](#) the *credible events* risk setting framework for the power system. The review assesses and classifies the risks associated with asset types to

¹ Meridian [submission](#)

² [ditto](#)

³ [ditto](#)

inform management of those risks. To date two assets types, bus bars and interconnecting transformers, have been reviewed.

The system operator received industry feedback on the Credible Event Review Scope document. The feedback proposed that the scope includes reviewing the HVDC risk. The system operator's [response](#) states

“Transpower, in its role as System Operator will undertake a preliminary investigation into reviewing the classification of the HVDC.”

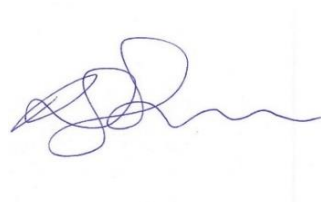
The review of the HVDC risk will be based on the methodology for the previous two reviews but extended to include assessment of frequency events and reserve costs. We anticipate the methodology will be established later this year and the assessment undertaken in the first half of next year. Industry will be part of this work and can provide feedback to support robust, impartial decisions on the HVDC risk classification.

We support the Commission's draft decision to treat the (incremental) reserve costs as costs to be capitalised to the project and not subject to incentives.

We consider reserves costs are a product of hydrology, (independent) system operation, and HVDC transfer capacity. Transpower, as grid owner, could only manage its exposure to reserves costs by making changes to the HVDC transfer capacity through its standing data on HVDC capability.⁴ In our view this could compromise efficient and independent optimisation of energy and reserves by the market system.

Please contact me if you have any questions about this submission.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Rebecca Osborne', with a wavy line extending to the right.

Rebecca Osborne
Regulatory Affairs & Pricing Manager

⁴ Electricity Industry Participation Code Part 13: 13.30 Standing data on HVDC capability to be provided to system operator, 13.32 Transmission grid capability information to be updated, 13.33 Grid owners must submit revised information to system operator