Fonterra submission on Transpower HVDC Link Upgrade

June 2025

Fonterra welcomes the opportunity to provide input to the HVDC link upgrade programme consultation.

Fonterra is a dairy co-operative owned by over 8,000 New Zealand farming families with 27 manufacturing sites across the country, making us the country's largest exporter and a major supplier of dairy products to the domestic market.

With manufacturing operations spread throughout New Zealand, Fonterra is a major electricity user. We rely on stable and affordable access to electricity to support our operations. This reliable access underpins New Zealand's export competitiveness.

Q1. Are there any additional factors we should consider regarding our identified investment need?

Fonterra supports the selection of option 3 to increase HVDC capacity to 1,400MW. At this time, we cannot identify any additional factors to be considered.

Q2. Do you have any additional information that could materially affect our electricity demand forecast or generation assumptions?

Fonterra's potential decarbonisation plans suggest that the Reference and Global process heat scenarios are likely to be too low.

With Fonterra's recent announcement of the staged decommissioning of the Whareroa and Edgecumbe co-generation plants, the decommissioning data in Table 5 in Attachment 1 should reflect a 2026 date, not 2033 and 2038.

The geothermal assumptions of re-injection and cost reduction in the Growth scenario do not seem appropriate when compared to the other scenarios. Re-injection and cost reduction assumptions should be included in the Environmental and Disruptive scenarios.

The baseload gas thermal generation plant availability post-2030 should be revisited as there remains a strong likelihood that baseload gas thermal plant will be fully decommissioned by 2030.

Q3. Do you agree with our application of short-listing criteria to reduce the long list of options into a short list?

Fonterra agrees with the short-listing criteria and hence the final short list and ultimately the selection of option 3.

Q4. Do you agree that we should be incorporating other related HVDC projects due at the same time with the cable replacement?

Yes, we support the expanding the scope to increase the benefits where there is a clear economic case for doing so.

Q5. Do you agree with the options we've shortlisted?

Fonterra agrees with the selection of option 3.

Q6. Do you consider our proposed weighting of the scenarios to be appropriate?

No. As already mentioned, Fonterra's own decarbonisation plans would likely require electrification at a greater rate than the Global and Reference scenarios, so we would support both scenarios having a zero rating.

Given this, the Environmental Scenario appears to have the most drivers aligned to what the future is likely to look like and should have a weighting of 50%.

Q7. Do you consider our use of a 30-year calculation period and a standard discount rate of 5% to be appropriate?

Fonterra supports the use of a thirty-year benefit calculation period and standard discount rate is appropriate.

Q8. Do you have any feedback on our analysis of the quantified costs and benefits for this project?

Fonterra questions the Benefit Based Investment allocation as shown in Table 1 of Attachment 6 as the modelling in Figure 6 of Attachment 4 clearly shows that the HVDC cable upgrade will result in energy transfer becoming more balanced between Northward and Southward flow. This suggests the cost of the upgrade should be allocated across generators and load in both islands.

Q9. Is our conclusion, that Option 3 (replacing the cables with 1400 MW capacity) offers the greatest net benefit, reasonable?

Yes, Fonterra supports the selection of option 3 as the incremental capital is exceeded by the modelled potential benefits.

Q10. Are there any additional sensitivities that we should test?