

15 August 2022

Transpower
Waikoukou
22 Boulcott Street
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By email: nzgp@transpower.co.nz

Horizon Energy Distribution Limited (Horizon Networks) submission on Net Zero Grid Pathways: Phase One (NZGP1)

1. Thank you for providing us the opportunity to make a submission on *Net Zero Grid Pathways: Phase One*.
2. Horizon Networks is a small trust-owned Electricity Distribution Business (EDB) serving over 25,000 consumers in the Eastern Bay of Plenty region. As a trust owned EDB, we have a strong consumer focus and seek to benefit both our Shareholder Trust Horizon and the communities we serve.
3. We recognise the need for the grid to remain fit for purpose as New Zealand electrifies and decarbonises the economy. This will require investment to support the increased consumer demand and increased generation from renewable sources.
4. In principle, Horizon Networks supports the goal of 'least regrets' by investing in additional transmission capacity ahead of regular and binding constraints impacting consumers and limiting opportunities to connect new load and new generation.
5. While Horizon Networks supports this proposal, we have concerns that the consumer impact has not been fully explored, and raise the following concerns that Transpower should consider:
 - a. **The timing of the investment** – It is not clear from the consultation paper, why this investment needs to start now. We understand that the timing is based on a forecast ramp-up in electricity demand as New Zealand looks to decarbonise, however the level of urgency in delivering these changes are not made clear in the consultation paper.
 - b. **The cumulative financial impact on consumers** – This investment results in a step-change increase in transmission charges for consumers in FY 28/29. Combined with increases in transmission charges due to the Clutha Upper Waitaki Lines Project (CUWLP) which are expected to peak in FY28/29, consumers may experience bill shock and develop a negative perception as to the level of spending by Transpower.
6. Additionally, Horizon Networks has concerns that the accuracy of the benefit-based allocations may not be reviewed after implementation and once benefits are known. As a result, potential inaccuracies in benefit-based allocations may not be identified.
7. **Horizon Networks Recommends:**
 - a. Transpower clearly articulates the rationale for the timing of this investment, including a summary of the rationale for requiring the various phases investment to be delivered between 2024 and 2026 rather than saving consumers money by deferring the investment until it becomes necessary.
 - b. Transpower clearly articulates the cumulative impact of its programme of transmission investments on consumers bills, ideally limiting any annual increase of each transmission customers charges to less than 10% per annum. This may mean a more staggered approach to charges that is consistent with EDB's requirements under DPP3 to limit price increases to 10% per annum.
 - c. Transpower include a post-implementation review of the benefits of its transmission upgrades such as NZGP1 so it can demonstrate that the parties paying benefit-based charges received benefits relative to their allocations.

Submission on NZGP1	
Submitter:	HORIZON ENERGY DISTRIBUTION LIMITED 52 Commerce Street Whakatane
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Date:	15 August 2022
Question	Comment
Q1. Do you agree with our staged approach to this major capital investment programme?	Yes. Making incremental changes to the grid to meet growing demand for grid capacity is a sensible approach.
Q2. Is our approach to NTS reasonable?	Yes. We agree that current non-transmission solutions are unlikely to be a viable substitute for transmission on the backbone grid. Non-transmission solutions are likely to be more suited to addressing targeted or regional transmission constraints.
Q3. Is our reduced list of options for enhancing capacity of the HVDC reasonable?	Yes. Based on the information provided the reduced list of options are appropriate.
Q4. Is our reduced list of options for enhancing capacity of the CNI 220 kV corridor reasonable?	Yes. Based on the information provided the reduced list of options are appropriate.
Q5. Is our reduced list of options for enhancing capacity of the Wairakei Ring reasonable?	Yes. Based on the information provided the reduced list of options are appropriate.
Q6. Are our scenario weighting sets reasonable?	No. Transpower's preferred weighting (set 4) only considers growth, environmental and disruptive scenarios. Zero weighting is given to reference and global scenarios. This indicates that Transpower does not consider it is possible that current trends will continue or that international disruption may increase costs and leave little room for local growth or innovation. We believe the risk that New Zealand may experience a recession or low growth at some point over the next 30 years is non-zero and should be factored into all the scenario weightings.
Q7. Is our shortlist of HVDC and CNI options reasonable?	Yes.

	Based on the information provided the shortlist of options are appropriate.
Q8. Is our shortlist of Wairakei Ring options reasonable?	Yes. Based on the information provided the shortlist of options are appropriate.
Q9. Is our choice of the preferred option reasonable?	Yes. Based on the information provided the preferred option is appropriate.
Q10. Is our conclusion that upgrading existing assets is more economic than bypassing the existing grid reasonable?	Yes. Based on the information provided we agree that it is economically sensible to upgrade the existing grid.
Q11. Do you agree that our choice of preferred option is robust against sensitivity analysis?	Yes. Based on the information provided the preferred options stand up to the various scenario sensitivities.

Yours Sincerely



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HORIZON ENERGY DISTRIBUTION LIMITED