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# Infrastructure New Zealand Submission on Transpower's HVDC Link Upgrade Programme

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## 1. Introduction

- 1.1 Infrastructure New Zealand is Aotearoa's peak membership organisation for the infrastructure sector. We promote best practice in national infrastructure development through research, advocacy, and public and private sector collaboration. Our membership is comprised of around 150 organisations, including government agencies, consultants, contractors, financiers, utilities, and academics. These organisations employ approximately 150,000 people in infrastructure-related roles and are united in their commitment to creating a better New Zealand through outstanding infrastructure.
- 1.2 Infrastructure New Zealand (INZ) welcomes the opportunity to submit Transpower's HVDC Link Upgrade Programme.

## 2. General Remarks

- 2.1 INZ supports strengthening the High-Voltage Direct Current (HVDC) link across the Cook Strait to enhance connectivity between the North and South Islands. Transpower's proposed \$1.4 billion investment to upgrade the inter-island electricity cables is vital for energy security and enabling the transition to a more electrified, low-emissions economy. Improved interconnectivity also supports greater reliability of electricity supply for communities and businesses across the country.

- 2.2 INZ supports a user-pays model to fund the HVDC project, with costs spread over the asset's life of 40 years through transmission charges. This approach ensures that those who benefit from the infrastructure contribute to its cost, promoting fairness, efficiency, and long-term sustainability. INZ sees user charging as a key solution to New Zealand's growing infrastructure funding gap advocates for modern, forward-looking funding tools that enable better planning, investment, and delivery of essential infrastructure.
- 2.3 Transpower's Cook Strait cables proposal demonstrates best practices in long-term infrastructure funding and offers a blueprint for other sectors like transport and water. The future-ready HVDC link will enhance national connectivity, support community aspirations, and ensure a resilient, renewable-powered electricity system for decades to come.

### **3. This Project Supports Connectivity Across the Cook Strait**

- 3.1 INZ supports increasing and maintaining interconnectivity between the North and South Islands. The HVDC link is the electrical connection between the North and South Islands of New Zealand. It is crucial to Aotearoa's energy infrastructure and enables electricity generated in either island to flow to the other.
- 3.2 Transpower's proposal to invest \$1.4 billion in replacing and upgrading the Cook Strait electricity cables is crucial to connecting our islands. Furthermore, this investment enables energy security and supports our transition to a more electrified economy.
- 3.3 INZ advocates for increasing the reliability of electricity across communities and businesses in Aotearoa, such as connecting them to electricity generators.

### **4. User-Pays Models Positive for Funding Infrastructure**

- 4.1 INZ supports the use of a user-pays model to fund this project. Costs are being spread across electricity users through increased transmission charges, which are phased over the 40-year life of the asset.
- 4.2 Adopting a user-pays model helps to better align infrastructure costs with the benefits received by those who use it. This approach ensures that those who directly benefit from the asset contribute to its funding, promoting fairness and efficiency. It also spreads the cost over the asset's lifespan, aligning payment with usage and reducing the upfront financial burden on the government or taxpayers. It supports more sustainable investment and enables better long-term planning and delivery of essential infrastructure.

#### **4.1 Addressing New Zealand's Infrastructure Funding Gap**

- 4.1.1 As a country, we must address our infrastructure and productivity deficits through modern funding tools. Embracing new approaches to transport planning and investment offers the opportunity to achieve better outcomes and unlock greater value for the future. By moving beyond traditional ways of doing things, we can make more effective, forward-looking decisions that expand our options and deliver long-term benefits.
- 4.1.2 INZ advocates for greater user-pays models to fund the infrastructure we need. The New Zealand Infrastructure Commission has highlighted user charging as one of the only viable solutions to addressing New Zealand's growing infrastructure funding gap.

#### **5. A Blueprint for Other Infrastructure Projects**

- 5.1 Transpower's Cook Strait cables proposal is an example of using long-term infrastructure funding principles appropriately. It provides somewhat of a blueprint for other areas of infrastructure, including transport and water services.

- 5.2 This plan plays a key role in enabling connectivity and supporting communities' economic and social aspirations. Using this blueprint can also carry benefits for infrastructure projects like highways.

## **5.1 Electricity Sector Asset Management**

- 5.1.1 The HVDC link programme is designed to be future-ready and to respond to New Zealand's future energy needs, with regards to both capacity and reliability.
- 5.1.2 Investment, upgrade, and replacement of key components of the link in the early 2030s is important to safeguard this critical infrastructure whilst also futureproofing the capacity of this link through the proposed addition of an extra cable to meet our future energy needs.
- 5.1.3 New Zealand has a poor record when it comes to the management of key infrastructure assets and has traditionally undervalued this critical investment. Research by Te Waihanga / New Zealand Infrastructure Commission highlights that for every \$10 spent on building infrastructure, \$6 of it should be spent renewing existing assets.

## **6. Conclusion**

- 6.1 Infrastructure New Zealand advocates for greater use of user-pays to fund the infrastructure we need and fill our infrastructure funding gap.
- 6.2 Transpower's Cook Strait cable proposal exemplifies strong long-term infrastructure funding principles and offers a valuable model for other sectors such as transport and water. The project supports national connectivity and helps realise communities' economic and social aspirations.

- 6.3 Designed to be future-ready, the HVDC upgrade will safeguard critical infrastructure and meet New Zealand's evolving energy needs, focusing on renewable power and contributing to a more resilient and sustainable electricity system.
- 6.4 INZ thanks Transpower for the opportunity to submit on the HVDC Link Upgrade Programme.

Yours sincerely,



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