

20 June 2025

Stephen Jones
Grid Investment Group Manager
Transpower
PO Box 1021
WELLINGTON

Sent via email: grid.investments@transpower.co.nz

Dear Stephen

Short list consultation – HVDC Link Upgrade Programme

1. This is a brief submission from the Major Electricity Users' Group (MEUG) on Transpower's consultation paper "*Working together to meet the needs of New Zealanders HVDC Link Upgrade Programme – short list consultation*"¹ and supporting documents published on 7 May 2025.
2. MEUG members have been consulted on the approach to this submission. This submission does not contain any confidential information and can be published on Transpower's website unaltered. Members may lodge separate submissions.

Support for option 3 providing extra capacity

3. MEUG supports Transpower proceeding with option 3 – replacement of the HVDC link with increased capacity of up to 1,400 MW in the undersea cables.
4. The HVDC link is an essential asset within New Zealand's electricity system, enabling Transpower to deliver electricity from the mix of renewable and non-renewable generation assets across both islands, to all the country's businesses and households. As the consultation material notes, it enables New Zealand to take advantage of our large hydro resources in the South Island, to meet predominantly North Island load, while also ensuring that North Island thermal generation is available to meet demand during dry years. With these HVDC assets now aging, it is important that we undertake timely work to ensure its ongoing performance.
5. MEUG considers that it is prudent to future-proof this asset, by increasing its capacity up from the current 1,200 MW to 1,400 MW. This will better support the future operation of the grid, where we expect greater investment in new generation across the country, greater demand from electrification and population growth, and increasing flows of electricity in both directions across the cable. We agree that option 3 provides the highest net benefits of the three options analysed.²

¹ https://static.transpower.co.nz/public/2025-05/Transpower%20HVDC%20Summary_May%202025.pdf?VersionId=HU8GctzpKVyjU821q4mwYXj74k4g7q0t

² We noted our support in a recent interview with Newstalk ZB here: <https://www.newstalkzb.co.nz/on-air/early-edition-with-ryan-bridge/audio/john-harbord-major-electricity-users-group-chairman-on-transpower-proposes-spending-14b-on-cook-strait-power-cables/>

6. MEUG supports efforts to collectively coordinate all the required work on the different components of the HVDC link (control systems, cables, termination stations, a new storage facility, and filter bank upgrades). This should enable cost efficiencies, streamline the planning process and minimise disruption to electricity sector as work is undertaken. Given the long order timeframe for many of the key equipment, we support Transpower acting now to secure the necessary equipment and resources.
7. MEUG has appreciated the numerous opportunities to provide feedback on this HVDC link programme, from December 2022 through to the recent webinar held in May 2025. We welcome the chance to provide further scrutiny as Transpower work through the major capex proposal process with the Commerce Commission.

Concern with allocation of costs on consumers

8. While it is essential to undertake this work, this will lead to an increase in transmission charges for all consumers. Our members, like many businesses, are currently facing a substantial increase in electricity costs – through:
 - Not only increases in transmission charges for Transpower’s baseline spending over the next five years and major capex projects
 - But also increases in the wholesale electricity price (doubling over the last 6 years) and distribution charges (which have been approved by the Commerce Commission to increase each year over the next five years).
9. The cumulative impact of these electricity price increases is a serious concern, with some businesses finding electricity price rises so large that they are struggling to operate and there is a real risk of deindustrialisation. MEUG also has concerns with the regulatory approach that enables Transpower to recover costs from projects that are commenced in advance of technical requirements. We note that in a workably competitive market, businesses who elect to build projects in advance of need, would be faced with carrying some of the risk and cost of the project, and not necessarily be able to recover all the expenditure. MEUG considers that substantial action is required by Government and the broader electricity sector to ensure that all consumers can access both affordable and reliable electricity going forward, given all these factors.
10. In addition, MEUG has concerns with the indicative allocation³ of these costs to regional customer groups / customers through the Transmission Pricing Methodology (TPM). Transpower proposes to follow the approach applied for the starting benefits-based investments (BBI) customer allocations for the HVDC Pole 2 refurbishment project. This sees the majority of costs shared between North Island Load and South Island Hydro Generators. We consider that this approach will lock in costs based on historic use patterns and therefore may not reflect the increasingly two-way flow of the cables (where North Island generators and South Island consumers also benefit).
11. In addition, MEUG has broader concerns with the process for determining BBI allocations through the still relatively new TPM. As discussed in our submissions on the Western Bay of Plenty (WBOP)⁴ and the Upper South Island (USI)⁵ proposals, MEUG considers that there is a lack of transparency around how these charges are being forecast and therefore, it is difficult to understand the potential impact on consumers. Interested parties do not have sufficient insight as was enabled through the publicly available spreadsheets under the previous TPM. There is

³ We recognise that these are only indicative and won’t be finalised till much later in the process following consideration by the Commerce Commission.

⁴ https://backend.meug.co.nz/assets/Documents/MEUG-submission-to-ComCom_WBOP-proposal.pdf

⁵ https://backend.meug.co.nz/assets/Documents/MEUG-submission-to-Transpower_USI-short-list.pdf

also currently a lack of worked examples for impacted businesses to draw upon. Finally, the outcomes of the BBI allocations often seem counter to the intent of the new TPM.

12. We have raised these concerns with staff from both Transpower and the Electricity Authority and have appreciated the engagement we have had to date. However, further effort is still required to provide consumers with sufficient insight into how BBI charges will be calculated for future projects such as the HVDC upgrade.

Next steps

13. If you have any questions regarding our submission, please contact MEUG on 027 472 7798 or via email at karen@meug.co.nz.

Yours sincerely



Karen Boyes
Major Electricity Users' Group