

Questions (in bold) and responses:

- 1. In the Tiwai exits scenarios what is assumed about large new loads being secured by Meridian/Contact? A cursory examination of Energy News and public statements by Meridian and Contact indicate that they are highly motivated to secure large new loads to soak up the excess supply of LSI generation and thereby hold up prices (green hydrogen, data centres etc). It would seem to me that there is high probability that existing load customers would see limited price reduction benefits (perhaps for only a short duration) upon Tiwai exit. Is it feasible within the TPM modelling framework to anticipate such scenarios?**

Response: There is nothing in the TPM that prevents us modelling a new load that replaces a load exiting the market, although we are required to model the same demand forecast in the factual and counterfactual per clause 46(2) of the TPM.

We have not modelled Meridian's and Contact's potential response to Tiwai leaving (including replacement load in the lower South Island), as explained in section 4.4.4 of Part B of the CUWLP consultation package.

- 2. The alternative to securing large new loads is for marginal generation plant to withdraw from the market, similarly, achieving generator's objectives to hold-up prices rather than see the circa \$10/MWh price fall you mentioned. Again is this contemplated within the TPM modelling framework? Tiwai exiting has such profound impact on the New Zealand market that you would expect the major generators to take strong actions to protect the values of their portfolios, so you would expect to see quite radically different outcomes in Tiwai exits and Tiwai stay scenarios from a load and/or generation perspective.**

Response: We have not modelled a generator response to Tiwai leaving such as described in your question. We acknowledge the magnitude of price changes either side of a constraint are subjective for many BBIs, including CUWLP, which is a key reason why we chose to use the clause 51 method of the TPM. We encourage you to make this point in your submission, which we will consider along with other submitters' views.

- 3. In order to provide informed and meaningful comment on the selection of the counterfactual, can we please receive Transpower's assessment at the time of the CUWLP final investment decision of the net economic benefits in the Tiwai Stays and Tiwai Exits scenarios? A testable proposition is that the relevant counterfactual (having regard to clause 45 (2) of the TPM) is that the CUWLP investment would not be made until Tiwai had confirmed its exit (rather than this just being a possibility).**

Response: The economic assessment we made at the time of the investment decision is reflected in the 2020 consultation paper¹ and the communication announcing the decision².

With respect to the point about the relevant counterfactual, clause 45(2)(a) says the counterfactual for an enhancement investment (such as CUWLP) is the investment not being

¹ [CUWLP Consultation Paper](#)

² [Transpower to continue with remainder of Clutha Upper Waitaki Lines Project \(CUWLP\) | Transpower](#)

made, unless we consider this principle will not produce a reasonable likely future grid state. We consider the counterfactual used for the proposed allocations is a reasonable likely future grid state without CUWLP.

More generally, our position on this point is summarised in our cross-submission to the Authority's consultation on the proposed TPM³, copied below:

The counterfactual needs to be the state of the grid without the investment in order to identify the beneficiaries and market benefits of the BBI. If we included the BBI occurring in the counterfactual, both the factual and counterfactual would have the same grid state (after the investment proceeds in the future), and the beneficiaries would receive no allocation. An analogous example is replacement and refurbishment expenditure – the counterfactual needs to be decommissioning the asset being replaced (rather than continuing to maintain the asset at a higher cost than replacing it) so we can identify the beneficiaries and benefits of the continued operation of the asset.

³ See paragraph 33: [Transpower-TPM-Cross-submission-2021.pdf \(ea.govt.nz\)](#)