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**Waikato and Upper North Island Stage 2 (WUNI2): Short-list Consultation**

1. This is Vector's submission on Transpower's WUNI2: MCP short list consultation.

2. No part of this submission is confidential and we are happy for it to be published on Transpower's website.

3. Our submission is largely focussed on Transpower's approach to non-traditional solutions (NTS). We have also provided some technical comments on Transpower's proposal and assumptions.

4. We have not provided comments on the indicative benefit-based investment charge allocations. We will provide our feedback on the proposed allocations when Transpower begins its formal consultation on the allocations.

**Approach to NTS**

5. We appreciate that Transpower's evaluation of its preferred options includes consideration of the opportunities to stage the project and considers where NTS has the potential to defer transmission investment in the WUNI region.

6. While we do not have any specific proposals on NTS opportunities in the Auckland region at this stage, we are keen to continue to work together to identify where NTS can reduce overall costs for consumers, including as part of the WUNI Stage 2 project. Following publication of our new Asset Management Plan, we will shortly be highlighting opportunities for contracted non-wire alternatives / NTS on our own network, and these may have a consequential benefit of serving as NTS for Transpower. We are working with several other EDBs in New Zealand on a shared platform to publish these opportunities and facilitate the contracting of NTS providers.

7. Although outside the scope of this consultation, we are also keen to work with Transpower and the Commission to determine how the regulatory framework can best enable co-ordination between EDBs and Transpower to pursue solutions that will lower costs to consumers at the whole of system level.

8. There is complexity (in terms of co-ordination and timing) for EDBs to pursue NTS that will lower transmission costs given EDBs do not have a direct financial incentive or allowances to pursue solutions that support transmission (rather than distribution) deferral.

**Vector's approach to flexibility**

9. Successful orchestration of distributed energy resources to minimise network investment is at the core of Vector's Symphony strategy. We have introduced, and are in the process of introducing, a range of NTS initiatives on our network, especially in the area of price-activated flexibility and flexible connections. While these have been pursued to defer capex on our network, they may also provide benefits at the transmission level. These include:
    - Vector has introduced mandatory time of use (ToU) lines pricing for all our connections. This has been demonstrably shifting residential demand later in the evening. This year we are more tightly targeting our TOU periods to align more closely with the timing of peak congestion on our low-voltage network (e.g. extending peaks to 10pm, pricing in weekends as well as weekdays, not pricing peaks in April, and not pricing peaks in the mornings of May and September).
    - Vector has introduced a commercial DER tariff, giving commercial customers discounted lines charges for agreeing to stay within a tighter dynamic operating envelope than the network requires at that location
    - From April, retailers will be able to avail of a Residential DER tariff which provides a discounted daily fixed charge if the retailer is able to guarantee shifting load in the periods we pre-specify across the year.
    - Vector has pioneered flexible connections for Auckland Transport's e-bus and e-ferry fleets, helping to reduce their connection charges.
    - As noted above, we are working with several other EDBs in New Zealand on a shared platform to publish potential NTS opportunities and facilitate the contracting of NTS providers.

10. We are shortly commencing a pilot with multiple retailers on a part of our network to test how a full load management protocol can be operationalised (including operating envelopes and emergency management), and the role that dynamic network pricing can play in reliably managing congestion at the LV level.

11. All these initiatives will have the consequential benefit of changing the shape of the load that Transpower observes at each of our 15 GXPs.

12. The Innovation and Non Traditional Solutions Allowance (INTSA), introduced as part of DPP4, may also provide an opportunity for EDBs to pursue NTS that could minimise transmission costs. Again, we are keen to explore with Transpower potential projects that could lower overall costs to consumers.

**Comments on planning and technical assumptions**

13. Vector agrees that the demand forecast is based off a set of reasonable assumptions, similar to those in our own forecasting, and results in a plausible scenario. That said, we note the growth of data centres and the rate of gas conversions remain difficult to forecast and could result in rapid change.

14. Vector supports Transpower's preferred option 4b (over 4a) where the OHL is upgraded before a series capacitor is established. As identified by Transpower, this will allow for greater optionality and staging if the forecast load growth does not materialise.

15. We note Transpower's assumption that 15% of large BESS is dispatched at peak and a $600/MWh value of lost load (VoLL). Without contractually procuring the capacity, there is a risk that the load cannot be reduced which will in turn push up the VoLL that will need to be used in the calculation.

Yours sincerely

**Richard Sharp**
GM Economic Regulation and Pricing