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Net Zero Grid Pathways 1: Major Capex Project (Staged) Investigation

This is Vector's submission to Transpower's consultation *Net Zero Grid Pathways 1 (NZGP1) Major Capex Project Investigation (MCP)*.

We appreciate Transpower's decision to grant an extension to this consultation.

We note we have limited ability to validate the costs and benefits of each scenario and we do not have sufficient information to comment on the technical solutions. Accordingly, we are unable to respond to the specific consultation questions.

We suggest an independent expert report be published alongside this consultation to verify Transpower's approach and calculations. EDBs and other market participants do not have the capacity and/or capability to undertake this analysis.

Least-regrets investment

Transpower has based its demand forecast and generation scenarios on MBIE's Electricity Demand and Generation Scenarios. Transpower has also relied on its Non-Transmission Solution (NTS) Request for Information (RFI) to determine that NTS is unable to provide a viable alternative to the projects covered by the MCP.

We are unclear how the 'least-regrets' options interact with the above scenarios. That is, whether they are the 'least-regrets' options irrespective of whether the demand and generation scenarios materialise or whether NTS become viable.

We note that the NTS RFI did not find viable alternatives. This is unsurprising as this market does not yet exist, although it will in the future. We are concerned that it is too early to rule out NTS as a viable alternative, as this market will continue to develop. Given the significant benefits NTS could provide, we recommend Transpower consider how it can support the development and use of NTS.

Overall, we are concerned the proposed approach could lock in a solution prematurely. We recommend Transpower give further consideration to whether it can defer investment or otherwise preserve flexibility. In an uncertain environment, maintaining flexibility and investment options for as long as possible is critical to ensure the most efficient solutions are ultimately adopted.

Assumptions around Tiwai leaving

Transpower has assumed Tiwai will leave in 2024 "based on the only known information we have - that Tiwai only has a supply contract until then. It is prudent because, if Tiwai does close and there is no replacement load in Southland, then the existing transmission grid would constrain a portion of Manapouri's generation from being dispatched."

We note that a number of submitters to the Clutha-Upper Waitaki Lines (CUWLP) Project BBI consultation expressed concern that Tiwai would either remain or that another large south island load would take its place, leaving existing load customers to pay for the majority of that investment despite deriving no benefit from it.

For NZGP1, the consultation states Transpower will undertake a sensitivity where Tiwai closes in 2030. The outcome of that sensitivity will be included in the MCP application to the Commission.

We consider the sensitivity should have been included in this consultation. For the MCP application, we also recommend an additional sensitivity where Tiwai does not close should be included. This is particularly necessary given the uncertainty around Tiwai and concern from stakeholders around the CUWLP.

In our view, Transpower should take steps to avoid the risk customers are burdened with the cost of investments they will not benefit from if Tiwai remains. For example, by seeking funding approval that is conditional on Tiwai closing. The additional time may also allow NTS options to become more viable.

Indicative pricing under the new TPM

We appreciate that Transpower has provided its indicative covered costs and starting BBI customer allocations as a supporting document to this consultation. For stakeholders to engage effectively, it is critical they understand the likely impact investments will have on their pricing under the TPM, along with transparency around how costs have been allocated.

The supporting document notes that Transpower has applied the methodologies in the TPM and draft assumptions book to produce indicative allocations but that it has not applied the level of detail it will use when calculating the actual allocations under the TPM. The supporting document states that the indicative allocations should provide a “reasonable indication.”

Although we recognise the BBI allocations will be subject to a separate consultation, we consider best practice would be to undertake calculations at level of detail that would provide stakeholders with high confidence in the expected covered costs and allocations for this consultation.

Whole of system costs

We consider investment decisions should be assessed in terms of their impact on costs across the whole system. We remain concerned that the TPM does not sufficiently incentivise assessment at the whole of system level. There remains a risk generation is incentivised to locate in areas that result in load bearing inappropriate or unnecessary transmission costs.

Yours sincerely



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