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25 September 2023

Andy Burgess
General Manager, Infrastructure Regulation
Commerce Commission
44 The Terrace
WELLINGTON

Dear Andy

Net Zero Grid Pathways 1 major capex proposal application updated

This letter accompanies an update of our Net Zero Grid Pathways 1 (NZGP1) major capex proposal (MCP). Our application seeks approval of NZGP1.1, being Stage 1 of a major capex project (staged).

In December 2022 we submitted our original NZGP1.1 proposal, which sought approval for a suite of projects to support the transmission implications of the decarbonisation of New Zealand's energy use.

The investment need for this suite of projects is to enable both the efficient dispatch of new generation and reliable supply of future demand growth over the interconnected grid. Electricity demand will increase as we transition away from fossil-fuel based energy consumption. Electricity generation will increase to meet this growth in demand and at the same time our fossil-fuelled generation will be replaced by renewable generation.

The accompanying updated proposal has been revised to meet the Commission's requirements for a staged MCP. This provides for a second stage (NZGP1.2) of investments in the HVDC, CNI and Wairakei Ring, which our original proposal did not correctly identify.

As described in the Main Application document, the preferred option has changed from that in the original proposal. However, importantly the suite of projects we are seeking funding for in NZGP1.1 (first stage) have not changed. Our now preferred option affects NZGP 1.2 (second stage) projects only. We have included analysis on the timing of the second stage HVDC project to Tiwai smelter closure and the rationale for retention of the first stage HVDC projects irrespective of the Tiwai decision.

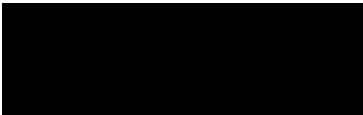
This updated proposal has been through a range of quality assurance checks and refreshed external assurances as to compliance with the Capex IM. Given the changes made to the original December 2022 proposal, we have also provided with this updated NZGP1.1 MCP proposal a CEO certificate required under clause 9.2.1 of the Capex IM. The certificate is included as Attachment J.

Attached with this letter are:

- Net Zero Grid Pathways 1.1 Major Capex Proposal (updated)
- Attachments A-J supporting our updated Major Capex Proposal

We look forward to your consideration of this updated application. I would like to also acknowledge the time and advice of the Commission's staff in supporting us in its preparation.

Yours sincerely



Alison Andrew
Chief Executive Officer