



9 July 2020

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### **Draft decision on Stage 1 of Waikato and Upper North Island Voltage Management staged major capex project**

Meridian appreciates the opportunity to comment on the Commerce Commission's draft decision to approve Stage 1 of Transpower's Waikato and Upper North Island Voltage Management (**WUNIVM**) staged major capex project.

Meridian supports the Commerce Commission's draft decision to approve the investment of \$154.1 million by Transpower for the following Stage 1 outputs:

- one dynamic reactive device in the Upper North Island capable of delivering (within 10%) 150 Mvar capacitive to 150 Mvar inductive at nominal voltage;
- one dynamic reactive device in the Waikato capable of delivering (within 10%) 150 Mvar capacitive to 150 Mvar inductive at nominal voltage;
- a post-fault demand management scheme for the Waikato Upper North Island region; and
- preparatory works for Stage 2, including additional investigation, consultation, obtaining property rights and environmental approvals, design work and non-binding tendering for future series capacitors and installation works on the Brownhill to Whakamaru transmission lines.

The Commission must evaluate a major capex proposal like this one against three sets of evaluation criteria in the Capex Input Methodology:

- the general evaluation criteria for capital expenditure in Part 6;

- the specific evaluation criteria for MCPs in Schedule C; and
- the investment test in Schedule D, Division 1.

Meridian agrees that Stage 1 of the WUNIVM project meets the above criteria. Importantly, the Commission's evaluation confirms that the proposed investment is expected to result in a net positive electricity market benefit. The Commission's draft decision also promotes the long-term benefit of consumers and the purpose of Part 4 of the Commerce Act 1986.

The approval of Stage 1 will ensure the transmission network has enough capacity to supply consumers in the region and to manage voltage stability effectively as demand grows and if the Rankines are not in service. Meridian understands that without the Stage 1 investment, there would either be a need for rolling power cuts during times of high electricity usage or a heightened risk of the North Island power system collapsing.

Transpower's analysis of forecast peak demand and voltage stability criteria shows that the proposed investment is needed by winter 2023. This need date is set by the forecast peak demand in the region and the Rankines' potential removal from normal service. Meridian understands that the Commission has reviewed:

- the likely timeframes in which Genesis might remove the Rankines from normal service; and
- the peak demand forecast for the region.

We understand that there is some uncertainty regarding the future of the Rankines. Transpower has assumed Genesis would remove the Rankines from normal service by 2022 based on Genesis' announcement in April 2016 that it had entered into four-year bilateral commercial arrangements with other market participants that would keep two Rankines available to the end of 2022. Genesis has not disputed this date. We note that the closure of the New Zealand Aluminium Smelter announced today could also bring forward the removal of the Rankines from normal service.

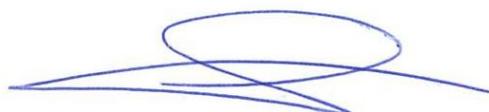
Meridian understands that Transpower would need at least 30 months to deliver the investment. This means that to deliver the investment by winter 2023, Transpower would need to commence the construction phase later this year. We encourage early investment commitments by Transpower and the communication of those investments to the market.

Meridian also submitted on Transpower's long list consultation in 2016 and short-list consultation in July 2019. Throughout the process we have continued to support the investments in voltage stability in the Waikato and Upper North Island region. We agree

with the Commerce Commission's draft decision and encourage Transpower to complete the necessary works as soon as possible – this will not only provide voltage stability and security of supply it will enable emissions reduction and a higher percentage of renewable generation in the New Zealand electricity market.

Please contact me if you have any queries regarding this submission.

Yours sincerely

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Sam Fleming  
**Regulatory Counsel**