



TRANSPOWER

Keeping the energy flowing

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23 July 2021

Matthew Clark
Manager Price-Quality Regulation
Commerce Commission
PO Box 2351
WELLINGTON

Dear Matthew

Notice of intention to plan NZGP1 major capex project (staged)

This letter is notice under clause 3.3.1(1) of the Transpower Capital Expenditure Input Methodology Determination 2012 (**Capex IM**) of Transpower's intention to plan a major capex project (staged) which may become a series of proposed investments.

Investment need and potential project

One of New Zealand's climate change mitigations is to reduce our CO₂ emissions and as a country we have a goal of being net-zero carbon by 2050. Decarbonising our energy use is an important part of achieving that goal and electricity will play a critical role in achieving this.

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 renewables (hydro, geothermal, wind and solar).

We have been considering the transmission implications of these changes through our Net Zero Grid Pathways (NZGP) project. The NZGP project is initially focussing on the grid backbone, but eventually will consider more regional parts of the interconnected transmission network. We expect that a number of investment opportunities will be identified as the project progresses, potentially requiring further investigation through major capex projects.

As a result of work undertaken to date, we have identified three such opportunities that are likely to require major capital expenditure (in excess of \$20 million). The purpose of this letter is to notify the Commission of our intention to plan a staged major capex project (staged MCP).

The investment need is to **enable the efficient dispatch of new generation and reliable supply of future demand growth over the interconnected grid.**

Potential staging projects

This staged MCP will focus on:

- HVDC capacity - Enhance inter-island transfer utilisation on the HVDC link
- Central North Island 220kV capacity - Enhance interconnection utilisation between our Bunnythorpe and Whakamaru GXP's
- Wairakei Ring capacity - Enhance interconnection utilisation in the area of our Wairakei Ring

Until we have completed the investigations, we cannot be definitive about which will require proposed investments, but if our investigations confirm that major capital expenditure is required, these would form the stages of the NZGP1 staged MCP.

We are investigating tactical investments as a means of providing short term increases in utilisation for these parts of the interconnected grid and these may also be included in any major project proposal. We anticipate that further increases in transmission capacity will be required, beyond that provided by the tactical investments, as electricity demand and/or generation increases.

Non-transmission solutions will be considered as options in the investigation.

The NZGP1 major capex project (staged) is a new project. There are no previously approved staging projects for it.

Proposed timetable

Subject to agreement with the Commission, our high-level timetable for this investigation is as follows:

Date	Milestone
20 Aug 2021	Publish long list consultation, including a RFI for NTS
1 Oct 2021	Long list consultation closes
Apr 2022	Publish short list consultation
Jun 2022	Short list consultation closes
Oct 2022	Submit major capex proposal for first staging project(s)

We note that the timetable is subject to change, and particularly if it is necessary to ensure appropriate consideration of non-transmission solutions.

We look forward to working with the Commission to agree on the timetable and the other matters in clause 3.3.1(3) of the Capex IM. We will liaise with you again shortly with our detailed proposals for those matters.

Please acknowledge receipt of this notice.

Yours sincerely

Stephen J Jones
Strategic Asset Manager