

17 July 2020

Matthew Clarke
Commerce Commission
By email to regulation.branch@comcom.govt.nz

Dear Matthew

Draft decision on Stage 1 of Waikato and Upper North Island Voltage Management staged major capex project Upper Waitaki Line Project – cross-submission

1. This is a cross-submission by the Major Electricity Users' Group (MEUG) on the submissions of the four other parties on the Commerce Commission Draft decisions and reasons paper on Stage 1 of Transpower's Waikato and Upper North Island Voltage Management (WUNIVM) major capex project dated 16th June 2020.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. MEUG's submission presumed early exit of the Rankine units was more certain given the announcement by Rio Tinto to end its contract with Meridian Energy effective August 2021. Genesis Energy noted that a third Rankine unit had recently been temporarily reinstated in response to tightening supply and "ongoing management of the Huntly assets will continue on the basis of market conditions and expected market developments." MEUG accepts it was premature to assume the Rankine units would be retired early. MEUG agrees with the suggestion by Vector [5]² that "If hasn't done so already, we suggest Transpower explore options with Genesis to obtain more certainty around the timing of the Rankines removal from service to ensure the investment is delivered at the right time."
4. The submission by Genesis supports our concern on whether Transpower has proactively considered Non-Transmission Solutions (NTSs). Genesis noted [p2] "To reiterate, Genesis considers non-transmission solutions should be prioritised until there is greater certainty concerning changes in demand and supply in the region. Uncertainty concerning the generation balance has only increased following confirmation that the Tiwai Point aluminium smelter is to close next year."

¹ Submissions were made by Energy Trusts of NZ, Genesis Energy, Meridian Energy, Vector and MEUG. Refer <https://comcom.govt.nz/regulated-industries/electricity-lines/electricity-transmission/transpower-capital-investment-proposals/transpower-major-capital-proposal/waikato-and-upper-north-island-voltage-management>

² Text in square brackets refers to the paragraph number in that submission, and pre-fix "p" refers to page.

5. Answering the question who pays for this capex? was difficult for Transpower when the Electricity Authority (EA) was consulting on possible changes to the TPM Guidelines and there was no certainty a change would be made. Hence it was understandable that Transpower when preparing the application could only advise how charges using the current TPM could apply. The EA decision of 10th June on new TPM guidelines has given more certainty and confirmed, except for one caveat (the option of a transitional congestion charge), the current methodology for calculating interconnection charges will not apply. The party best placed to give the market an indication of the likely incidence of incremental charges for the \$154m cost of WUNIVM stage 1 to be consistent with the new TPM guidelines is Transpower. A forecast of how the charges will be allocated does not have to be exact. Even an indication to interested parties of the likely incidence of future charges would be better than the current list of charges using a pro rata of existing interconnection payments. Until models start to emerge over the coming year estimating charges that beneficiaries will pay, Transpower in the interim should provide estimates for their customers grouped, for example, as:

- a) Highly likely will be beneficiaries.
- b) Could be material beneficiaries.
- c) Maybe beneficiaries or at least the value compared to the status quo will be modest.
- d) Very unlikely to be beneficiaries.

In a workably competitive market, a supplier would pro-actively provide customers such information. Expectations should be set by the Commerce Commission that Transpower similarly pro-actively meet customer needs for estimates of future charges for new incremental capex given Transpower is best placed to make those estimates.

6. For example, there is some debate on whether generators may be considered beneficiaries of the \$154m to be spent on stage 1 of WUNIVM (see submission of Energy Trusts of NZ [p2]) and hence an early indication from Transpower as to their thinking would be helpful. MEUG therefore supports the suggestion by Vector [13] “We would like to see an estimate of the changes to existing transmission charges for connected parties by applying the new TPM guidelines. It is important this is provided as it is a key consideration for impacted parties when making submissions on this matter.”

Yours sincerely



Ralph Matthes
Executive Director