

Via email: regulation.branch@comcom.govt.nz

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Transpower's 2020-2025 IPP – Draft decision on enhancement and development base capex projects

Mercury welcomes the opportunity to provide feedback on the Commerce Commission's (Commission's) consultation paper *Transpower's 2020-2025 IPP – Draft decision on enhancement and development base capex projects*, 21 September 2022.

The Commission is seeking stakeholders' views on its draft decision to reconsider and reopen Transpower's individual price path (IPP). Transpower has applied for an increase to its base capex allowance to include five additional Enhancement and Development (E&D) base capex projects that it considers have become reasonably likely to commence within the current regulatory control period (RCP3).

Mercury supports the Commission's draft decision to reopen Transpower's IPP and deliver four additional E&D base capex projects:

1. Upper South Island voltage management, Islington reactor with an estimated cost of \$8.3m;
2. Upper North Island voltage management, Pakuranga reactors with an estimated cost of \$15.6m;
3. Kawerau substation interconnecting capacity with an estimated cost of \$10.2m; and
4. Wairakei reactor with an estimated cost of \$6.5m.

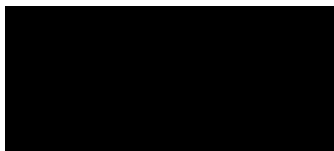
Mercury also recommends that the Commission approve the Otahuhu-Whakamaru C installation of variable line ratings (VLR) project with an estimated cost of \$0.55m.

Mercury notes the Commission's draft decision to not approve this project is made on the basis that it considers that it is not reasonably likely to commence within RCP3, due to the likely continued availability of the Huntly Rankine units in this period.

Mercury, however, considers that this project would deliver important benefits, at relatively low capital cost, that would support the operation of the wholesale market within the current regulatory period. Even though the present view may be that the current operational performance of Rankine units can be maintained until 2030, resulting in somewhat limited reliability benefits from implementing VLR, the Commission should consider that the VLR implementation could promote more efficient and sustainable wholesale market dispatch. That is, it would support more renewable generation from outside the Upper North Island being dispatched to support load north of Otahuhu. These dispatch benefits would likely be most pronounced during transmission and generation outages affecting supply to the Upper North Island, and there may indeed even be reliability benefits stemming from the VLR implementation depending on the nature of the outage(s).

In summary, we consider that, where appropriate, tools such as VLR can be a cost effective way of enhancing transmission capacity and we encourage the increased use of such methods to promote better utilization of transmission assets.

Yours sincerely



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