



TRANSPOWER

Keeping the energy flowing

Waikoukou
22 Boulcott Street
PO Box 1021
Wellington 6140
New Zealand
P 64 4 495 7000
F 64 4 495 6968
www.transpower.co.nz

*Alison Andrew
Chief Executive
P: 04 495 6970
E: alison.andrew@transpower.co.nz*

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Sue Begg
Deputy Chair
Commerce Commission

By email: sue.begg@comcom.govt.nz

Dear Sue

Application for Amendment of Outputs for the approved Bunnythorpe — Haywards A and B lines major capex project

I am writing in relation to Transpower's application to amend the outputs for the approved Bunnythorpe-Haywards reconductoring major capex project.

Commission staff have recently advised us that they are still considering how to accommodate this amendment application in the Commission's work programme. We are conscious that the Regulation Branch is extremely busy at the moment, but equally we are reluctant to defer scheduled work on the Bunnythorpe-Haywards project.

This letter explains how we intend to proceed and invites the Commission's feedback and any questions.

Background to the amendment application

In May 2014 the Commerce Commission approved our major capex project proposal to reconductor and upgrade the capacity of transmission lines A and B between our Bunnythorpe substation near Palmerston North and Haywards substation in Wellington. As part of its decision, the Commission specified certain major capex project outputs the project needed to deliver, including replacing the existing Goat conductor with a Zebra ACSR conductor.

We have completed about 97% of the project to date. We expect to complete the remaining sections (over the Waikanae and Horowhenua areas) in the summer work season this year. The planned commissioning date is December 2020.

In the course of the project we have discovered that, in certain wet conditions, a new Zebra conductor on a simplex circuit, such as the Bunnythorpe-Haywards project, can produce

audible noise levels higher than an existing aged conductor. The noise is likely to be discernible to people living under or near a transmission line.

As a responsible operator, and to comply with the requirements of the Resource Management Act 1991, we wish to ensure any adverse noise effects of the BPE-HAY A and B lines project are mitigated, particularly in residential areas (such as the remaining sections over the Waikanae and Horowhenua areas).

Earlier this year, we investigated alternatives and concluded that the best solution was to use Curlew ACSR conductor in place of Zebra for the remaining sections. Using Curlew rather than Zebra conductor mitigates the identified noise issue, maintains the capacity of the circuit, and does not change the electricity market benefits associated with the project. We do not expect to use Curlew conductor for the entirety of the remaining sections, but rather to focus on those areas where noise mitigation is necessary (i.e. residential areas).

While we had advised Commission staff earlier this year that we were considering alternatives to Zebra in urban Waikanae due to unexpected noise, we were hopeful the field testing for treated (washed and/or blasted) Zebra would demonstrate greater noise reductions and obviate the need for an application to vary the major capex project outputs. When it became clear from our field and laboratory testing that Curlew would outperform Zebra in noise reduction in urban environments, we formally applied to amend the approved grid outputs for the project to allow for the substitution of Curlew for Zebra over Waikanae village. This occurred on 30 August. On 13 September the Commission advised us that due to its very high workload it was not currently in a position to discuss approval timeframes – but would endeavour to agree a timeframe by the end of September.

Transpower urgently needs to proceed with the scheduled work

We acknowledge the Commission's current very high workload, and we appreciate the efforts of staff to accommodate this project. We look forward to agreeing a timeframe in due course. However, we urgently need to proceed with the reconductoring of the remaining sections of the BPE-HAY line, which is currently scheduled for October to November 2019. It seems unlikely that the Commission will be able to approve the switch to Curlew conductor by then. But deferring the scheduled work programme will incur significant incremental costs and jeopardise the planned commissioning date of December 2020.

We can provide additional detail if that would be helpful, but in summary:

1. This work has been scheduled around other projects that will draw on some of the same wiring teams and resources. Deferring this project will therefore affect delivery of this and other projects.
2. Electrix, which has been contracted to carry out this work, also has other commitments to manage. If we were to defer this project, there is a risk it could not be rescheduled until the next summer work period in late 2020, meaning we would be unlikely to meet our planned commissioning date of December 2020.
3. Mobilisation has already commenced, and landowners have been notified of the works. If we were to defer we would incur stand down costs as the wiring crews cannot quickly be redeployed to other projects. We would also need to re-notify landowners of the revised timetable, which, in our experience, can cause stress for some landowners.

Meeting the December 2020 commissioning date is important because: (a) that is the commissioning date assumption set out in the Commission's 2014 approval of the project, and (b) given the current condition of the line (which is being replaced because of advanced corrosion), our assessment is that it would be prudent to complete this project no later than the planned commissioning date.

We propose to continue with the scheduled work

We therefore propose to continue with the scheduled work and reconductor the remaining sections of the BPE-HAY line in October and November as planned, including using Curlew conductor for some areas.

We acknowledge that we are taking this step in advance of the Commission's approval of the amendment to the major capex outputs for the project. But we are confident that we can demonstrate to the Commission's satisfaction that this amendment is warranted. We note that in the past we have made post-work applications for amendments to major capex approvals.

We also do not expect this amendment to have significant cost implications. As noted in our amendment application, the cost of Curlew conductor is greater than Zebra conductor, but not materially in the context of this project. We estimate the incremental cost at approximately \$800,000, which would increase the total expected cost to complete the project from \$82.7 million to \$83.5 million. That is against an approved overall budget of \$161 million, which we have significantly out-performed, mainly due to design refinements, delivery efficiencies due to design efforts and productive efficiency gains.

Next steps

We welcome the Commission's feedback on our proposed workplan to complete the project. We are available to answer any questions, or to provide further details on the planned substitution of Curlew for Zebra and the importance of proceeding with the work.

Yours sincerely



Alison Andrew
Chief Executive