



Chairman: Warren McNabb,

Secretary: David Inch,

25 January 2024

Matthew Clark
Manager, Transpower and Gas
Commerce Commission
P O Box 2351
Wellington 6140

By email: infrastructure.regulation@comcom.govt.nz

Dear Matthew,

RE: Cross submission – Draft decision and reasons paper: Transpower’s NZGP Stage 1

The Independent Electricity Generators Association (IEGA) welcomes the opportunity to engage on the Commerce Commission’s (Commission) consideration of Transpower’s Net Zero Grid Pathway Stage 1 projects.¹

The IEGA represents commercial distributed generation. We are focused on the opportunities for distributed generation to meet incremental growth in electricity demand, operate to meet peak demand, as well as defer or avoid new transmission and distribution infrastructure investment by being contracted as a non-traditional/network solution.

Transpower dismissed non-network solutions as an option or component for either of the three MCP projects. This may be appropriate but MEUG’s feedback about whether the Commission’s framework will achieve the ‘long-term benefit of consumers’ resonates with the IEGA.

As MEUG points out the Commission’s regime results in analysis of transmission and distribution investment in isolation from the other, as well as transmission proposals being considered individually and sequentially.

This disconnection is occurring as Transpower investigates regional constraints. Non-network solutions connected to distribution networks can provide benefits for the transmission network. But distribution companies investigate non-network solutions only in the context of their own network – with very few contracted. And Transpower has no visibility of these proposals that could, if implemented, within/by a distribution network also assist Transpower’s management of its network.²

¹ The Committee has signed off this submission on behalf of members.

² NewPower’s [submission](#) on Transpower’s Upper South Island Long-list of options provides more information.

In its draft Decision Paper, the Commission states: *“Over the coming years we expect a transition from fossil fuel use, an increase in electrification, more intermittent renewable generation, less thermal generation, and a more distributed energy system.”* (paragraph X8)

We are not clear about what the Commission means by “a more distributed energy system”. Is this a system of more smaller generation plant (including on residential and commercial/industrial sites) in contrast to substantial 100MW-plus utility scale generation that requires higher voltages and the transmission grid to transport the higher output. The IEGA agrees a system with more smaller scale commercial generation connected to distribution networks will deliver consumers long-term benefits.

There is also no connection between this Stage 1 proposal and the next MCP that Transpower is likely to already be investigating. Can stakeholders be assured that Transpower, and therefore the Commission, have identified the most urgent capacity constraints given generation and load forecasts? For example, information provided by Transpower, Northpower and Top Energy in the 2022 Regional Energy Zone proposal revealed a transmission investment of \$20-30m could unleash new generation output from the region of at least 410MW.³ Both distribution companies appear to be prepared to curtail output from existing (and new) non-household generation plant in order to manage their networks. Northpower has introduced its own curtailment order for generation in its congestion management policy. The IEGA believes this issue of curtailment warrants discussion between regulators, policy makers and generations stakeholders to develop an agreed approach for New Zealand. Our aim is to ensure the most efficient use of sunk assets to deliver long-term benefit to consumers.⁴

We agree with MEUG that *“What is missing from the framework is consideration of the overall impact of electricity prices and whether the total level of investment into the electricity system results in affordable prices for both consumers and businesses”*. An overall system view is missing. In our recent submission to MBIE the IEGA strongly suggests MBIE should model a cost benefit analysis to establish if the overall costs to consumers will be less when generation is built and connected to distribution networks compared with utility-scale generation that requires a forecast ~\$30 billion⁵ investment in upgrades and/or new transmission lines to transport electricity to load centres as well as increased connection capacity between transmission and distribution networks. What is the optimal mix of distributed generation and network infrastructure investment that results in the lowest overall system costs for electricity consumers?

Yours sincerely



Warren McNabb
Chair

³ Section 2.3 page 13 Renewable Energy Zones Northland Pilot Concept [report](#), 2022

⁴ We note the Commission has decided to increase the threshold for MCP proposals to investments of \$30m or greater (from \$20million) beginning on 1 April 2025. This means relieving the current constraint could be part of overall base capex but consumers wear the cost of any generation curtailment until the investment is made. (paragraphs X33-35 of the Final Decision – Transpower investment topic [paper](#))

⁵ Forecast for generation and transmission investment. Source: Preferred scenario in Boston Consulting Group’s ‘The future is electric’ [report](#), November 2022