

11 February 2013

John Clarke
Transpower NZ Limited
96 The Terrace
PO Box 1021
Wellington 6140

Dear John

Upper South Island Reliability Stage 1 Major Capex Proposal Approval

We are pleased to advise you that we have approved the reliability component of the Upper South Island reliability stage 1 major capex proposal. The maximum approved amount for the proposal is \$4.99 million.

In approving this proposal, we note that Transpower has agreed that it will:

- monitor observed demand and adjust the need date of stage 1 and subsequent stages accordingly;
- develop a solution to reduce the modification costs of reactive power controllers each time there is a project that affects reactive power.

The decision and reasons paper setting out the reasons for this decision is available on the Commission's website at: <http://www.comcom.govt.nz/upper-south-island-grid-upgrade/>.

Your original application dated 29 June 2012 included a reliability component and a component to mitigate high impact low probability risks at Islington substation (HILP). On 27 September 2012, you advised us to defer our decision on the HILP component until further advice from Transpower. Therefore, we have not made any decisions on the HILP component of the application.

Yours sincerely



Sue Begg
Deputy Chair

AUCKLAND

L19, ASB Building
135 Albert Street
P.O. Box 105-222
AUCKLAND 1143, NEW ZEALAND
1492974.1

WELLINGTON

L6, Vector Building
44 The Terrace
P.O. Box 2351
WELLINGTON 6140, NEW ZEALAND
Tel: (04) 924 3600 Fax: (04) 924 3700
Main Office

CHRISTCHURCH

9 Radley Street
Woolston
P.O. Box 10-199
CHRISTCHURCH 8145, NEW ZEALAND