



TRANSPOWER

Keeping the energy flowing

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Keston Ruxton
Manager, EAD Regulation Development
Regulation Branch Commerce Commission
44 The Terrace
PO Box 2351
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Dear Keston

Oteranga Bay – Haywards Listed Project Application

Please find attached our Oteranga Bay-Haywards Listed Project application.

This project is listed in Schedule I of Transpower Individual Price-Quality Path Determination 2015. These projects were identified as part of our Regulatory Control Period 2 (RCP2) submission as base capex projects but had significant scope and cost uncertainty. A separate application mechanism was devised to allow us to apply for an amendment to our base capex allowance to account for these projects.

We have confirmed both the need and scope of work required to replace the conductor on the Churton Park section of the Oteranga Bay-Haywards line from tower 45A to 68. This line forms part of the HVDC link between the North and South Islands and, as such, is an important component of our transmission network.

Our P50 estimate of the cost of this work is \$23.5 million (excluding reserve costs). In addition to this cost, we will be exposed to higher reserve costs. To complete this work we need to operate the HVDC on a monopole for approximately 3 months. The cost of this exposure is dependent on hydrology. We estimate it could be between \$0.01 million and \$6 million. We ask that the Commission approve a \$23.5 million increase in our base capex allowance, and in addition allow us to recover the actual costs of our additional exposure to reserve costs.

We consider that this application meets the requirements of the current Transpower Capital Expenditure Input Methodology Determination and provides a basis on which the Commission can approve our application.

We look forward to your consideration of this application and will be happy to answer any questions the Commission may have.

Regards

Stephen Jay