

6 July 2023

Stephen J Jones  
System Planning & Investment Manager  
Transpower New Zealand Limited  
22 Boulcott Street  
Wellington 6140

Dear Stephen,

**Re: Notice of intention to plan the Upper South Island Stage 2 regional major capex project**

Thank you for your *Notice of intention to plan the Upper South Island Stage 2 regional major capex project* letter of 5 April 2023.

We appreciate the helpful context provided regarding the intention of Transpower New Zealand Limited (**Transpower**) to plan the Upper South Island Stage 2 major capex project (**USI2**), particularly in respect of the following matters we need to agree under clause 3.3.1(3) of *the Transpower Capital Expenditure Methodology Determination 2012 (Capex IM)*:

- (a) a consultation programme for a transmission investment or non-transmission solution, in accordance with clause 8.1.3;
- (b) an approach to ensure appropriate consideration of non-transmission solutions to meet the investment need giving rise to the major capex project in accordance with clause 8.1.3;
- (c) an application submission date; and
- (d) an approval timeframe.

We are comfortable with what Transpower has proposed, including your proposed approach to consider non-transmission solutions.

In discussions, you have indicated that you are reviewing the need date for the project and expect to complete that work this month. We would appreciate Transpower providing us with an update following the completion of that work so that we can revisit the approval timeframe if necessary.

The table below sets out our views on the matters we must agree with Transpower, as required by clause 3.3.1(3) of the Capex IM.

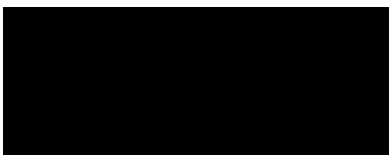
**Matters for agreement with Transpower under clause 3.3.1(3) of the Capex IM**

Process step	Timing
<b>Long-list consultation</b> As part of the long list consultation, Transpower will also seek interested persons' views on potential non-transmission solutions in the form of a request for information. Transpower will provide respondents with eight weeks to respond on the potential for non-transmission solutions. Depending on interested persons' responses, Transpower may undertake further engagement. Transpower will inform the Commerce Commission of any need to adjust its consultation programme to ensure the consideration of non-transmission solutions is robust during Transpower's investigation.	August – October 2023
<b>Short-list consultation</b>	December 2023 – January 2024
<b>Transpower submit major capex proposal for first staging project(s) to Commission</b>	May 2024
<b>Commission publishes and consults on draft decision on major capex proposal for first staging project</b>	November 2024 – February 2025
<b>Commission publishes final decision on major capex proposal for first staging project</b>	April 2025

We have based our approval timeframe on past major capex projects and expected work programme during this period. We will be better placed to refine the timeframe, if necessary, when Transpower submits its proposal.

Please let me know if you have any queries on this letter. Otherwise, please confirm that you agree to the matters specified above in accordance with clause 3.3.1(3).

Yours sincerely



Dane Gunnell  
 Head Price Quality Regulation