

## **Fonterra submission on Transpower's Regulatory Control Period consultation**

June 2024

Fonterra welcomes the opportunity to comment on the Commerce Commission's consultation for Transpower's Regulatory Control Period (RCP4).

As a large participant in the New Zealand electricity market, we trust that the commentary we put forward in this submission is a constructive contribution to help ensure the New Zealand electricity market functions efficiently and is set up for success in delivering secure, low-cost electricity and supporting the transition to a low emissions economy.

Fonterra is responding to this consultation as we use approximately 800 GWh per annum of grid electricity, and 200 GWh per annum of electricity generated by our third-party co-generation partners. This combined annual electricity usage of approximately 1,000 GWh is the 4th largest industrial use in New Zealand.

At the peak of the dairy season, we can be using over 170MW and therefore need an electricity market that is delivering secure and low carbon electricity at the lowest cost possible now and into the future. Our recent announcement of a 20MW electrode boiler for our Edendale site is an indication of our future movement towards decarbonising our sites using electricity.

The Commerce Commission's proposed Transpower RCP4 is projecting significant price increases which Fonterra as an exporter cannot pass through to internationally traded dairy products.

It is for this reason it is critical that the Commerce Commission ensures that the revenue proposed by Transpower is for maintaining the existing transmission network. The use of the independent verifier provides some confidence in the requested capital expenditure, but the ongoing support for and expansion of non-network solutions needs to be tracked and strengthened.

Any new expansion of the transmission network to manage potential increased load demand should be covered by causer capital contributions and if necessary, use of a reopener. The use-it-or-lose it mechanism introduced is a good way to drive the correct actions and manage deliverability risk.

Fonterra supports the focus on deliverability as we have found from our own significant annual capital spend it is difficult to secure material and human resources to implement capital projects to timelines.

Fonterra is supportive of revenue smoothing with the majority of revenue being recovered in latter years, due to deliverability and future demand uncertainty.

Notwithstanding the above comments, Fonterra continues to support the ongoing reliability focus and future expansion of the HVDC link.

With the proposed significant increase in revenue mainly due to interest rates and inflation, it is apparent that the WACC percentile should be reduced to align to the reduced risk profile and likelihood of over recovery. If this risk does eventuate, then the reopener clause can be utilised.