



NEW ZEALAND COUNCIL FOR INFRASTRUCTURE DEVELOPMENT

Submissions

On

Options for Alternatives to Transmission

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NEW ZEALAND COUNCIL FOR INFRASTRUCTURE DEVELOPMENT

1. Introduction

- 1.1. The New Zealand Council for Infrastructure Development is a non profit organisation.
- 1.2. Members comprise a diverse range of private and public organisations that seek world class infrastructure developed and provided in New Zealand to help all New Zealanders achieve the standard of living to which we aspire.¹
- 1.3. NZCID's vision is to promote the provision of world class infrastructure by both the public and private sectors for the benefit of New Zealanders.
- 1.4. NZCID is concerned at the apparent slow progress with New Zealand's infrastructure development and the risks and opportunity costs of failure to invest in New Zealand's energy infrastructure in a timely manner.
- 1.5. It shares community and industry concern that there is an urgent need to address the security of New Zealand's future energy supply and to provide improved price stability and competitiveness.
- 1.6. It considers that optimum solutions are best provided in an open and competitive market environment where opportunities for investment in energy supply are maximised and that conversely barriers to competitive market entry are minimised.
- 1.7. The Council seeks to work with the Electricity Commission to ensure the security of New Zealand's future energy supply and it is in this collective vision that NZCID presents this submission on options for enabling transmission alternatives.

2. A National Transmission Network Contributes to an Open and Competitive Market.

- 2.1. The Commission's specific objectives include a requirement that barriers to competition in the electricity industry are minimised for the long-term benefit of end-users.
- 2.2. The energy market is characterised by high capital costs and difficult and time consuming consenting processes associated with new

¹ A list of members of NZCID is attached to this submission.

transmission and generation projects. These issues constitute significant barriers to market entry.

- 2.3. NZCID considers that given this situation, absence of a reliable transmission network could potentially result in closed regional markets being dominated by localised monopoly providers.
- 2.4. Such a development would be anti-competitive and contrary to the Commission's specific objective noted above.
- 2.5. For these reasons NZCID favours upgrade of the national transmission network as being an effective means for enabling open entry for new market entrants and thereby improving opportunities of security of supply and price competitiveness.

3. NZCID considers urgent determination of the transmission upgrade path should be the priority at this point in time.

- 3.1. The expectation of business and the community at large is that NZ will have in place in a timely manner the necessary electricity infrastructure to meet growing demand.
- 3.2. Notwithstanding this obvious need, there is clear anecdotal evidence of lack of confidence within industry and increasing apprehension within the community that neither of these issues is being effectively addressed.²
- 3.3. A reliable national transmission network enables national coverage in generation capacity that may not otherwise be possible in a constrained regional market. This enhances national security of supply.
- 3.4. NZCID notes that the Commission's own *Statement of Opportunities* concluded that it will be necessary to augment supply into the South Island by 2007 and into Auckland by 2010 in order to continue meeting the N-1 security criterion.

² Large NZ organizations such as Fonterra and Carter Holt Harvey, among others, have been reported in the media as saying that energy supply and pricing to be their biggest concern. NZCID is also aware of anecdotal evidence that uncertainty about future power prices is restraining overseas companies from allowing their New Zealand subsidiaries making long term capital investments.

- 3.5. One of the major factors influencing the timing of this investment is the extent to which reliable new generation can be secured in or about the Christchurch and Auckland regions within the above time constraints.
- 3.6. In applying the Grid Investment Test the Commission is faced with the prospect of comparing Transpower's transmission upgrade proposals against alternative investments in generation capacity that may not occur until after it is too late to make grid investments necessary to address reliability risks.
- 3.7. Moreover, given the lead times associated with consenting and decision making processes, NZCID considers that if transmission alternative generation proposals have not already been committed, it is unlikely that they will be ready in sufficient time to substitute for the current transmission upgrade decision.
- 3.8. The Statement of Opportunities issued by the Commission in May 2005 listed just three committed generation projects nationally including:
- 2005 Wairakei Extension 14 mw
 - 2005 Manapouri Improvements II 16 mw
 - 2007 Huntly E3P 365 mw
- 3.9. NZCID is concerned that so long as there is uncertainty about the transmission upgrade path, potential investments in generation capacity will continue to be constrained.
- 3.10. NZCID considers therefore New Zealand is beyond the point where consideration of options for enabling transmission alternatives is appropriate, at least at this time, and that a commitment to Transpower's transmission upgrade proposal is now urgently required.

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NZCID Members

Company name	Website	Type
ABN AMRO BANK NV	www.abnamro.com	Service Provider
Alstom Transport NZ Ltd	www.alstom.co.nz	Service Provider
AMP Capital Investors (NZ) Ltd	www.ampcapital.co.nz	Service Provider
Areva T&D NZ Ltd	www.areva-td.co.nz	Construction
ASB Bank Limited	www.asbbank.co.nz	Service Provider
Auckland City Council	www.aucklandcity.govt.nz	Public Sector
Bank of New Zealand	www.bnz.co.nz	Service Provider
Beca Infrastructure Ltd	www.eca.com	Construction
Bell Gully	www.bellgully.com	Service Provider
Bluewater Management Company		Construction Service Provider
Chapman Tripp	www.chapmantripp.com	Service Provider
Citigroup	www.citigroup.com	Construction and Finance
Connell Wagner	www.conwag.com	Service Provider
Deutsche Bank	www.deutschebank.co.nz	Finance and Service Provider
EMA	www.ema.co.nz	Service Provider
Fletcher Building	www.fletcherbuilding.co.nz	Construction
Fonterra	www.fonterra.com	Infrastructure owner and operator
Fulton Hogan	www.fh.co.nz	Construction
GHD Ltd	www.ghd.co.nz	Construction
Higgins Group Holdings Ltd	www.higgins.co.nz	Construction and Service Provider
Holcim (NZ) Ltd.	www.holcim.com/NZ	Construction
Hynds Group	www.hynds.co.nz	Drainage and Environmental Services
Kensington Swan	www.kensingtonswan.co.nz	Service Provider
Macquarie Goodman	www.macquariegoodman.co.nz	Construction
MacQuarie NZ Ltd.	www.macquarie.com.au	Service Provider
McBreen Jenkins	www.mcbreens.co.nz	Construction & Service Provider
Multiplex Construction (NZ) Ltd	www.multiplex.com.au	Construction
MWH NZ Ltd	www.mwhglobal.com	Service Provider
NZ Post	www.nzpost.co.nz	Owner and Operator
Pacific Road Corporate Finance NZ Ltd	www.pacroad.com	Service Provider
Siemens (NZ) Ltd	www.siemens.com	Construction
Stevenson Group	www.stevensons.co.nz	Construction
Transfield Services	www.transfieldservices.com	Construction
Transpower NZ Ltd	www.transpower.co.nz	Public Sector
Watercare	www.water.co.nz	Owner and Operator
Westpac Banking Corporation	www.westpac.co.nz	Service Provider
Works Infrastructure Limited	www.works.co.nz	Construction