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NZCID submission on Transpower's North Island Grid Upgrade Proposal

need for prompt determination of the upgrade path to provide confidence in long term security of supply

In previous submissions to the Electricity Commission the New Zealand Council for Infrastructure Development (NZCID) has expressed concern at ongoing uncertainty about the transmission upgrade path and the consequential adverse impact that this is having on investor and business confidence. ¹

We note that it is now some two years since the need for the upgrade path was first identified by Transpower. In its earlier submission to the Electricity Commission on the 400Kv draft decision made in June 2006, NZCID sought prompt resolution of what was then an apparent impasse between Transpower and the Electricity Commission in respect of determining the suitable transmission upgrade path.

Companies making investment decisions seek certainty. NZCID has submitted that the opportunity cost of lost investor confidence is a significant factor that needs due consideration as part of the decision matrix.

Certainty of direction is also critical for the communities directly affected by the upgrade path decision. The ongoing uncertainty is in itself unsatisfactory for parties directly affected by various alternative proposals.

NZCID supports the position adopted by the Retail / Generator Line Company CEO Forum in their letter to the Commission dated 11 May 2006 which sought an outcome that will:

¹ See NZCID submission on the Electricity Commission's 400KV Proposal Draft Decision available at <http://www.nzcid.org.nz/submissions1.html>

- Provide assured security of supply to greater Auckland
- Deal conclusively with any perceptions of a lack of security of supply
- Ensure the grid has sufficient flexibility to enable competition
- Achieve this sooner rather than later.

NZCID is not in a position to assess the relative merits of the detail of Transpower's amended proposal and will leave others to comment on such issues. The consultation process and subsequent RMA processes enables those who are directly affected to provide input into issues such as the location of pylons and other factors.

However, we note that Transpower has stated that their revised proposal has been developed in close consultation with the Electricity Commission. This is consistent with the approach generally required by clause 13 Part F Section III of the Electricity Governance Rules. We also draw attention to clause 13.3.1.2 which requires the Board to have particular regard to the need to avoid unnecessary delays in approving reliability investments.

There has now been adequate time for both Transpower and the Commission to resolve fundamental differences about the best upgrade path. NZCID considers that a prompt determination of the key issue, that is, the overall direction and nature of the upgrade path, is now required so that RMA consent process can proceed with urgency.

Yours faithfully,



Stephen Selwood
Chief Executive