

Lower Waitaki Reliability Project

Stakeholder Engagement Forum
5 March 2009

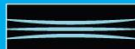
Approvals Process
Mike Parker

TRANSPower



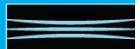
Purpose of forum

- This project is investigation project. Transpower investigates solutions to identified issue, or forecast issue, on transmission network
- Such investigation projects costly - time and resources. Transpower spends lot of time at this stage of investigation projects to ensure we have robust case for considering investment in network
- Key steps are:
 - Defining need
 - Defining assumptions to be used in Transpower investigations
 - Defining other issues to be considered
- That is purpose of consultation paper published and today's forum



Stakeholder input critical

- Stakeholder input critical to ensure Transpower investigates issue from stakeholder perspective. May keep making that point today
- Gaining approval for transmission upgrade is regulatory process but no point in obtaining approval for something that wont meet stakeholder needs
- To recover costs of investing in transmission, Transpower required to obtain Electricity Commission approval when costs will be recovered from all New Zealanders
- Formal process to obtain approval (will describe briefly), but also need to engage Electricity Commission before that process begins to ensure we don't waste time, resource using assumptions they could not accept



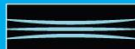
Electricity Commission/ Transpower – Approval Process

- Identify need – data on demand forecast, annual planning report analysis, regional grid plans, etc
- Long list of options – gather input from stakeholders
 - some options may not be transmission, such as demand side options and future generation development
- Short list options using high level costs
- – talk to stakeholders and landowners as required
- Apply Grid Investment Test to options
 - more detailed analysis and costing
- Submit preferred option to Electricity Commission for approval
- Electricity Commission approval process



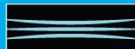
Grid Investment Test

- Cost/benefit analysis
- Narrowly focussed on “producers and consumers of electricity”. Effectively assesses investments on basis of minimising cost of delivered electricity
- Ignores wider economic impacts of reliable electricity supply



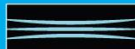
Reliability v Economic Investments

- Reliability
 - primary purpose is to avoid unserved energy
 - for core grid max net market benefit or min net market cost to preserve n-1 security standard passes GIT
 - for non-core grid max net market benefit, where net market benefit greater than zero passes GIT
- Economic
 - primary purpose is to reduce delivered cost of electricity
 - max net market benefit, where net market benefit greater than zero passes GIT
- This project is reliability on non-core grid, so net market benefit required to be greater than zero to pass GIT
- This point is critical to justifying n-1 solutions



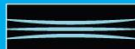
Electricity Commission process for reliability investments

- Electricity Commission required to apply Grid Investment Test themselves for reliability investments
- Source of most Minister Energy comments wrt duplication between Electricity Commission and Transpower
- Not clear what implications of Minister of Energy proposed changes to Government Policy Statement will be



Approval Timeline

- Submissions close 26 Mar 09
- Consider submissions 2 weeks
- Complete long list, assumptions mid April 09
- Discussions with EC by end April 09
- High level costing April/May 09
- Short list by end May 09
- Detailed costing, and landowner engagement (as required) June-August 09
- Apply GIT September 09
- Report back to stakeholders early October 09
- Submit GUP to EC late October 09
- EC process, 3-12 months, expected 6 mths
- Approval April 10



Next Steps

- Feedback today
- Written submissions
- Follow progress on www.gridnewzealand.co.nz
- Can register to receive updates
- Expect follow up forum in October 09
- Further information: ian.harris@transpower.co.nz
- Questions?

