

18 May 2026

Matthew Clark  
Manager, Transpower and Gas  
Commerce Commission  
PO Box 2351  
WELLINGTON 6140

Sent via email: [infrastructure.regulation@comcom.govt.nz](mailto:infrastructure.regulation@comcom.govt.nz)

Dear Matthew

## **HVDC Stage 1 major capex project proposal**

1. The Major Electricity Users' Group (MEUG) welcomes the opportunity to provide feedback to the Commerce Commission (Commission) on its draft decision reasons paper "*Transpower's HVDC Stage 1 major capex project proposal*"<sup>1</sup> and supporting attachments published on 1 April 2026.
2. This cross-submission does not contain any confidential information and can be published on the Commission's website unaltered. Members may lodge separate responses.

### **Support for replacing existing HVDC assets and enhancing HVDC capacity**

3. MEUG continues to support<sup>2</sup> Transpower investing in the replacement of the HVDC link, with increased capacity of up to 1,400 MW. The HVDC link is an essential asset within New Zealand's electricity system, and it is prudent to future-proof this asset by increasing its capacity. We support the Commission's draft decision to approve Transpower's HVDC Stage 1 MCP proposal and its intention to:
  - Set a major capex allowance (MCA) of \$1,138.6 million (\$ nominal)
  - Set the capital cost contingency risk component of \$140.1 million (\$ 2025) as exempt major capex
  - Set an incentive rate of 15% that will apply to all major capex that is not exempt major capex.
4. We agree with Meridian's statement that "*contingent costs (such as weather-related cable installation costs and cable route uncertainty) should be exempt major capex*" and that "*electricity market participants and consumers should not have to pay Transpower more simply because it happens to be calm and sunny when this work is carried out.*"<sup>3</sup>

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<sup>1</sup> <https://www.comcom.govt.nz/assets/Documents/hvdc-link-upgrade/Transpowers-HVDC-Stage-1-MCP-draft-decision-reasons-paper-1-April-2026.pdf>

<sup>2</sup> As set out in MEUG's [20 June 2025 submission](#) to Transpower.

<sup>3</sup> Page one of Meridian's [submission](#), 29 April 2026.

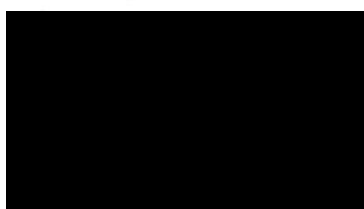
## Affordability and transparency of transmission charges remain a significant concern

5. MEUG continues to have substantial concerns about the affordability of delivered electricity and the lack of transparency around transmission charges for consumers.
6. As outlined in our submission in June 2025,<sup>2</sup> this is one of many (albeit necessary) investments being undertaken on the transmission grid, that will increase the charges that consumers pay. These transmission increases are occurring alongside both increases to distribution and generation charges, as distribution networks are maintained and upgraded, and more generation is added to the market. The cumulative impact of these electricity price increases is a serious concern, with some businesses finding electricity price rises so large (alongside natural gas and petrol/diesel) that they are struggling to operate and there is a real risk of deindustrialisation.
7. We support the concerns around affordability raised by New Zealand Steel (a member of MEUG) through its submission<sup>4</sup> - New Zealand is on a pathway to greater electrification, but there is a real risk that demand could be subdued if electricity becomes too unaffordable. We agree with NZ Steel's comments about anticipatory investments, and how the costs will fall on consumers of the day, not necessarily the beneficiaries over time (both current and future generations). We also support the issues raised around the allocation of transmission charges through the current Transmission Pricing Methodology (TPM).
8. In addition, MEUG agrees with the concerns that Meridian have raised around the transparency of cost allocations under the TPM and Transpower's intention to consult on cost allocations after approval of the project. We support the statement that "*Transmission customers will pay for the HVDC Stage 1 MCP and an early indication of the potential allocation of costs would help to inform transmission customers of how invested they should be in Transpower's consultations and the Commission's MCP process.*"<sup>5</sup> It is concerning to see such limited submissions on this final step of the process.
9. Notwithstanding these comments, addressing affordability and transparency of charges requires broader discussion outside of this regulatory process, with all government agencies involved – the Commission along with the Electricity Authority and the Ministry of Business, Innovation and Employment. MEUG welcomes further discussions with all agencies, as well as government ministers, as we seek to balance affordability with a secure and sustainable electricity system.

## Next steps

10. If you have any questions regarding our cross submission, please contact MEUG on [REDACTED] or via email at [REDACTED].

Yours sincerely



**Karen Boyes**  
Major Electricity Users' Group

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<sup>4</sup> New Zealand Steel [submission](#), 29 April 2026.

<sup>5</sup> Page two of Meridian's [submission](#), 29 April 2026.