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Commerce Commission
Wellington

By email: infrastructure.regulation@comcom.govt.nz

Cross submission HVDC Stage 1 draft decision

Transpower welcomes the opportunity to respond to the submissions made on the Commerce Commission's draft decision to approval our HVDC Stage 1 proposal. We respond to the submissions by New Zealand steel and Meridan.

[New Zealand Steel submission.](#)

NZ Steel submitted that there is no immediate benefit to raising the HVDC capacity to 1400MW and that it should therefore be delayed.¹ Specifically it states "*...the proposed increase in capacity from 1200 to 1400MW may be a good engineering decision. However, the draft decision would see the risk and cost of this coming to today's consumers when the benefit, if at all, may be a decade or more beyond the spend.*"

Our analysis indicates that the benefits of the additional capacity accrue from commissioning because they are not only driven by demand growth. Other drivers include retirement of thermal generation in the 2030s, expanding North Island wind generation, enabling South Island hydro to provide firming and displace higher-cost thermal generation, and freeing up reserve generation by the increased HVDC self-cover.

In the table below we present deferral benefits for the fourth cable using the lowest demand growth trajectory within our modelled scenarios as a materially conservative sensitivity.

Total benefits are highest under the proposal's preferred timing for all four cables; deferral to either 2035 or 2041 results in lower net benefits (approximately \$137–\$141 million lower in present value terms) compared with the proposal option to deliver 1400MW in 2031.

¹ [New-Zealand-Steel HVDC-Stage-1-MCP-draft-decision-29-April-2026.pdf](#)

	Total costs (\$m)	Total benefits (\$m)	Expected net benefit (\$m)	Relative net benefit (\$m)
Preferred timing	2123	3737	1614	0
Deferral 2035	2240	3714	1474	-141
Deferral 2041	2208	3685	1477	-137

The 2035 and 2041 deferral options have higher total capital cost profiles than the preferred option of installing all four cables in 2031. Delivering the works as a single installation campaign captures mobilisation and installation efficiencies, avoids repeat vessel mobilisation and construction set-up, and therefore results in the lowest overall delivery cost.

Deferring the fourth cable to either 2035 or 2041 requires a separate future installation campaign, which introduces additional mobilisation costs and reduces the efficiencies associated with installing cables together. Remobilisation costs to lay the fourth cable are expected to be significant, in excess of \$260m. While both deferral options incur additional mobilisation costs, the 2041 option has a lower PV cost than the 2035 option because those additional remobilisation costs occur later in the analysis period and are therefore more heavily discounted.

Meridian submission

Meridian submitted² that *"outages caused by salt spray buildup on insulators at the current site result in significant market impacts and costs" and "once a decision is made on the design and location of the termination station, the market should be updated so there is a common understanding of whether these outage risks remain."*

The current proposal design locates the new termination station adjacent to the existing buildings, on a site that Transpower already owns and has designated for this purpose. We have now assessed the possibility of inland sites and have ruled them out due to constrained topography, fault line presence as well as the significant cost and time delays. We are retaining the existing plan to build the new cable termination station at Oteranga Bay and will be further investigating building orientation, bushing design and pollution resistance and washing systems. As we move to more detailed design, we will assess whether any additional costs around building design to avoid salt spray related outages are net beneficial.

Investment allocations under the Transmission Pricing Methodology

Meridian also noted while not strictly a matter for the Commission, it considers it is unsatisfactory that Transpower will consult on Benefit Based Investment (BBI) cost allocations under the TPM *after* (and assuming) final Commission approval of the major capex project.

Our major capex project proposal to the Commission included a document *TPM and Indicative Pricing Impacts*.³ This indicative information, required to be provided under the Capex IM⁴ rather than the TPM, is created using meter data from a capacity measurement period that is the closest complete capacity measurement period (CMP, from September to August) to the timing of the proposal. These indicative pricings are not the BBI allocations

² [Meridian-HVDC-Stage-1-MCP-draft-decision-29-April-2026.pdf](#)

³ [HVDC-MCP-Attachment-9-TPM-and-Indicative-Pricing-Impacts-September-2025.pdf](#)

⁴ Clause 7.5.1(1)(c) the Capex IM.

under the TPM. However, we consider they provide a reasonable *indication* of the distribution of net private benefits from the HVDC investment as they use the modelling inputs and assumptions for the proposal.

Clause 15 of the TPM requires us to publicly consult on proposed starting BBI customer allocations prior to finalising the charges. Clause 3 of the TPM defines the capacity measurement period to be used for a high-value BBIs (the HVDC investment is high-value). This CMP B is the 5-year period ending the 31 August immediately prior to Transpower's final investment decision.⁵

This timing requirement means Transpower needs to consult on proposed BBI customer allocations under the TPM *after* the Commission has approved the MCP, as Transpower cannot make the final investment decision until Transpower receives the Commission's approval for the project.

The period between Transpower's proposal and its final investment decision may be at least a year or more, so meter data used for indicative allocations under the Capex IM may differ from the data used for final allocations under the TPM. As a result, allocations for the purpose of meeting the Capex IM remain indicative only.

Yours sincerely

Joel Cook
Head of Strategy and Regulation

⁵ **CMP B for a BBI** is the period ending on the last trading period of the most recent complete capacity year before the final investment decision date for the BBI (capacity year *n*) and starting on the first trading period of capacity year *n-4*. CMP B is relevant to calculating benefit-based charges for BBIs under a standard method TPM Clause 3 General definitions [CODE - Part 12 - Transport - 17 June 2024](#)