

22 August 2025

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By email only: [REDACTED]

Tēnā koe James

Transpower: Warning for contraventions of quality standards for 2021 and 2022

1. The purpose of this letter is to advise you of our enforcement decision on the contraventions by Transpower New Zealand Limited (**Transpower**) of the minimum quality standards under the *Transpower Individual Price-Quality Path Determination* [2019] NZCC 19 (**IPP**) for the 2021 and 2022 disclosure years (**DY**).¹
2. Having considered the information available and the context of the contraventions, we have decided that issuing Transpower with a warning is the appropriate response. The remainder of this letter sets out the reasons for our decision.

Transpower's contraventions of the quality standards

3. The IPP set out the price path and quality standards for Transpower for its third regulatory period, which ran from April 2020 to March 2025 (**RCP3**). The quality standards that applied to Transpower during RCP3 are set out in clause 5.1.2 of the IPP.
4. Transpower reported exceeding its asset performance measures (**AP2**) – a type of quality standard – in its 2021 and 2022 annual compliance statements. The AP2 standard measures the percentage of time selected high voltage alternating current (**HVAC**) assets are available during a DY.
5. The AP2 quality standard is set at 98.6% availability of specified HVAC assets per DY, meaning that assets must not be unavailable for more than 8,707 hours each year.

¹ *Transpower Individual Price-Quality Path Determination 2020* [2019] NZCC 19.

Transpower recorded its AP2 performance in DY 2021 at 97.94%, and in DY 2022, availability of 97.61%.²

6. Transpower contravened its AP2 quality standard by 4,129 hours in DY 2021 and by 6,165 hours in DY 22.
7. The breakdown of outage hours is shown below:

Table 1: Total AP2 hours

	2020/21	2021/22
BHL-PAK-B cable joint failure	2564	6306
Clutha-Upper Waitaki Lines Project	4341	3601
Other Planned Work + Unplanned Outages	5932	4965
Total Unavailable hours	12836	14872

The investigation

8. On 14 December 2022, we opened an investigation into Transpower for contravening quality standards in DY 2021 and DY 2022.
9. Our investigation focused on the circumstances that led to the quality standard contraventions, and Transpower provided documentation in response to two requests for information. We analysed the facts of the case against our enforcement criteria, considering the extent of harm, Transpower's conduct, and public interest.
10. On 7 February 2025, we sent Transpower a preliminary assessment letter, and Transpower responded to this letter on 5 May 2025.

Our findings

11. We consider that the contraventions occurred, in part, because of Transpower's decisions on:
 - 11.1 proceeding to upgrade the network in the Clutha Upper Waitaki region (**CUWLP**), after Rio Tinto announced it would continue operation of the Tiwai plant until December 2024, without considering a pause in or staging of the works; and
 - 11.2 replacement work on key cables (**BHL-PAK**) between Brownhill and Pakuranga substations without a recommendation from the manufacturer.
12. In assessing Transpower's conduct, it is not clear how it considered alternatives to the staging or delaying of work which could have minimised market and supply security impacts against the AP2 standard.

² A lower AP2 availability percentage reflects a higher number of hours that HVAC assets were unavailable.

Transpower's response

13. Transpower has admitted to the contraventions.
14. Transpower stated that its approach to delivering CUWLP and replacing the BHL-PAK cable joints was consistent with good electricity industry practice and in the interests of consumers. Transpower said that work on the Clutha Upper Waitaki region improved the ability of power to flow from the South Island to the North Island which is particularly beneficial if excess supply were to become available from the exit of a large connection such as Tiwai; and the cable joint replacement at Brownhill-Pakuranga helped maintain the reliability of supply into Auckland.
15. However, Transpower also recognised that it had not been systematic in weighing the impact on AP2 compliance with other matters such as the cost, benefits and timing of each of those projects when deciding how and when to do the work.
16. Transpower stated it would have made the same decisions in any event but acknowledged the criticisms that can be made about its failure to properly consider, and explicitly take into account, the compliance consequences of those decisions. In response, Transpower has said it intends to strengthen the governance of its compliance programme and the processes for interactions between its operational and regulatory teams.

Enforcement decision: warning for contraventions of quality standards

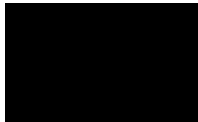
17. The Commission's decision is to issue Transpower with a warning. While we accept Transpower considers its actions benefitted consumers, its decisions directly contributed to it breaching the AP2 standard which is also intended to protect consumers from potential harm. In these instances Transpower did not systematically consider the potential impacts of reduced availability on consumers and compliance with the standard in making its decisions. We expect compliance with quality standards to be central to Transpower's decision making given their importance as a consumer protection tool.
18. We considered a stronger response given that Transpower has had past instances of non-compliance across the 2016-2020 period but ultimately considered a warning appropriate due to:
 - 18.1 no obvious evidence of actual harm to consumers during reduced availability. Our assessment is that there was no load curtailment or post-event lost load because of the BHL-PAK cable outages, and we are not aware of significant price separation in the wholesale electricity market during CUWLP or the cable work; and
 - 18.2 the works that contributed to the breach also having other positive benefits for consumers. We agree that the CUWLP upgrades are important in improving the ability of power to flow from the South Island to the North Island; and the cable joint replacement at Brownhill-Pakuranga helps maintain the reliability of supply into Auckland.

19. Transpower has committed to improving its performance by strengthening governance of its compliance function and the relationship between its operational and regulatory teams. We endorse this decision.

Further information

20. This warning is public information and will be published on the case register on the Commission website.
21. Thank you for your assistance with our investigation. Please contact Dane Gunnell, Head of Price-Quality Regulation, Infrastructure Regulation, at [REDACTED] if you would like to discuss this letter.

Nāku iti noa, nā



Vhari McWha
Commissioner