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DPP4 reopener application – Central Park 2 Connection Project

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Public

Contents

1 Application Summary

The purpose of this application is to notify the Commerce Commission of a reopener event in accordance with the Electricity Distribution Services Input Methodologies (Reopeners and Other Matters) Amendment Determination 2025 and to seek an amendment to Wellington Electricity Lines Limited (WELL) Default Price Path (DPP).

The Reopener event relates to an unforeseeable large project (**the project**), that enables the reconfiguration and connection of the WELL network to Transpower's proposed new Central Park 2 substation. Transpower's construction of Central Park 2 will provide diversity for the electricity supply to central Wellington and surrounding areas. The current site has exposure to well known potential high-risk events with no mitigation for total supply loss and recovery for 50,000 connections without an alternative supply arrangement.

The forecast capital expenditure to connect WELL's network to CPK2 and obtain supply diversity from the existing CPK for consumers is $11.5m. This is expected to increase tariff revenue by approximately 0.4% per annum. The required investment to connect the WELL network to CPK2 is dependent on Transpower's final substation location and design. As such, this reopener is subject to Transpower finalising the engineering design work it is undertaking.

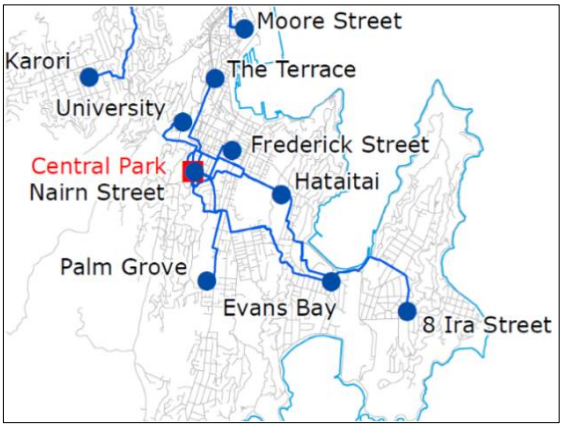


Figure 1: WELL's 33 kV subtransmission network in central Wellington

Need for Risk Mitigation

Central Park substation is one of nine Transpower grid exit points (GXPs) that supply WELL's network. The current Transpower Central Park substation connects seven WELLs zone substations via seven sets of 33kV sub-transmission cables and one 11kV substation. The area supplied from Transpower's Central Park through the WELL network covers much of Wellington's CBD along with Wellingtons southern and eastern suburbs. It includes sites of national and regional importance such as the Government precinct, the New Zealand Stock Exchange, Wellington hospital and private hospitals, Wellington International Airport, and Regional and Local Council sites for water and waste-water supply.

Figure 2: Aerial photo of the Central Park substation site

Transpower's Central Park is a physically constrained[1] site with a limited footprint making contingency plans take weeks rather than days to implement. The 1944 layout and construction is poor by modern standards with inadequate blast protection or fire cells between assets making the site vulnerable to a multi-week total loss. Security of supply is also compromised by low seismic strength of some of the buildings and low geotechnical strength of foundations to ground reactions.

The site currently remains vulnerable to high-impact, low-probability (HILP) events such as a

[1] Large Transpower sites such as Penrose or Haywards are often 300-400m across, while Central Park is barely over 50m across.

major earthquake or fire. Transpower's project, together with the works covered by this Reopener mitigates a number of these historic risks by moving to a modern standard at the new site to provide a more resilient supply for Wellington consumers.

Transpower's nearest site is Wilton GXP which WELL connects at 33kV with subtransmission supplying zones substations at Karori, Kaiwharrawharra and Moore St. The 11kV network does link to the northern zone substations from Central Park but is limited to a transfer of approximately 17 MVA (only 11% of peak demand at Central Park).

The risk posed by the current Central Park site is supported by the Wellington Lifelines Project report[2] (run by Wellington Regional Emergency Management Office) in 2019. Both Transpower's and the Lifelines analysis have identified the need for improved supply diversity at Central Park. In addition, Central Park is also referenced as a 0-7 year priority in the Transpower's 2024 Wellington Regional Investment Plan[3].

WELL considers the Transpower project is critical for the ongoing supply diversity to around 50,000 Wellington homes, businesses, and essential services.

This application demonstrates that the proposed investment from WELL meets the requirements for an unforeseeable large project. Table 1 below lists the documents supporting this application. Table 2 lists the expected costs of the project.

Table 1 – Supporting documents

Document	Purpose	Location
Wellington Life Lines group and [redacted] letters	Supporting the investment.	Attachment A of this application

A summary of the proposed WELL investment is shown in Table 2.

Table 2 – Project scope and costs

Scope item	Cost in 000s (exc. GST)
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
Total project value	**$11,543**

[2] Protecting Wellington's Economy Through Accelerated Infrastructure Investment Programme Business Case | Wellington Lifelines Project https://www.wremo.nz/assets/Library/Reports/Wellington-Lifelines-PBC-MAIN-Combined-20191009.pdf

[3] Wellington Regional Investment Plan | Wellington Regional Leadership Committee https://wrlc.org.nz/wp-content/uploads/2024/03/WRIP-Final.pdf

2 Background to the project

In 2009, Transpower identified Central Park as a significant risk to supply the Wellington Central Business District and was included as the second-highest risk in Transpower's risk register. Since then, WELL has been pursuing options to address concerns to improve supply diversity, including reviewing and considering alternative sites for potential GXP investments.

In 2024, Transpower at WELL's request, commissioned a second study, a Solution Study Report (SSR), the first draft of which was completed in October 2024. (The first SSR funded by WELL occurring in 2014) The second draft SSR defined the options and scope of the required investment as detailed below, upon which WELL has been able to assess the investment required within the WELL network to enable the diversity of supply from Central Park by connection to the new diversified site. This reopener application is based on Transpower's draft SSR and is subject to receipt of Transpower's final design, which is still to be completed. The New Investment Agreement required for the Connection asset creation does not form part of this reopener application.

3 WELL's Project scope

The works required to connect the WELL network to Transpower's new Central Park 2 consists of separating WELLs 33kV network enabling connection to both Transpower's Central Park substations. This is shown in Figure 3 below. Transpower's components of the diversity project does not include any of the aspects required for WELL to connect its WELL's 33 kV subtransmission network to the new GXP substation.

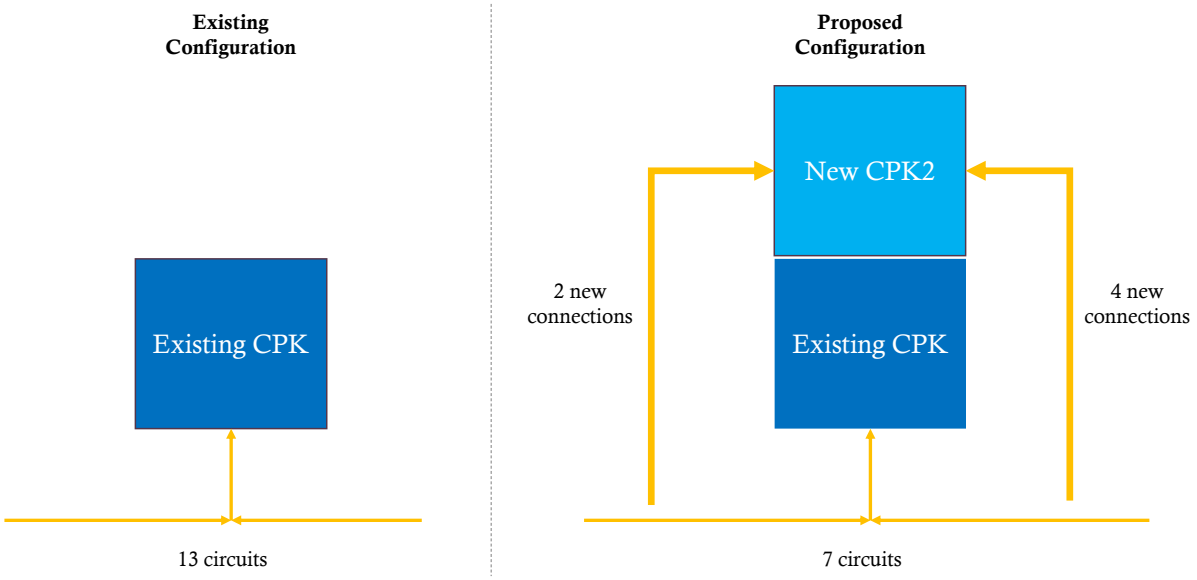
As such, this reopener covers those items required to access and connect the 33kV subtransmission cable to the new Central Park 2 site. Without the proposed investment Central Park 2 would be unable to connect and provide supply diversity and resilience for Wellington customers.

WELL considers that the investment sought under this reopener could not have been reasonably foreseen prior to October 2024 as the site had not been selected by Transpower nor could the scope of works been identified until the second draft SSR was made available from Transpower. The latest draft version of the SSR was provided to WELL in June 2025. The scope of works is important to allow WELL to plan any works required in addition to the Transpower requirement for network connection of the existing 33kV cable network back to the new Transpower CPK2 site. WELL has not submitted any of this work as a capex forecast for DPP4 due to the uncertainty as to works might be required.

Given this project is critical to mitigate a significant risk to supply diversity and network security while maintaining WELL's performance to quality standards, WELL is committed to this project and is unable to defer other investment in order to fund this project within the current DPP4 capital works program.

The following block diagram (Figure 3) shows conceptually both the existing cable layout for Central Park and the new cable layout for the proposed Central Park 2 site. Six separate new 33 kV cable tails (i.e. one for each zone substation) from Central Park 2's 33 kV switchboard will intercept WELL's existing 33 kV cables that exit Central Park on Nairn Street and Brooklyn Road to provide supply diversity between Central Park and Central Park 2 GXP supply points.

Figure 3 – Existing and new Central Park substation and cable layout



Options considered

A range of options and sites close to Central Park have been considered by Transpower over the period of 10 plus years. Initially WELL provided some early options for Transpower's consideration. Transpower has considered each option resulting in the selection of 67 Brooklyn Road and 92 & 96 Nairn Street, Mount Cook as the preferred site due to its proximity to Central Park and the associated logistical benefits.

Following Transpower's selection of a preferred site, WELL has also considered a number of options to connect the WELL 33kV network to Transpower's proposed Central Park 2 site. Given the positioning of the proposed site, and the constraints on the cable access to the site, all options other than that proposed solution resulted in either multiple cables routed within a single space creating further risks of a single point failure or cases involving significantly longer cable lengths and significantly higher costs, with the Town Belt being an impediment for new works. The proposed cable routes provide for diverse routing to avoid common failure modes. This allows for the cables to take the most direct route to the joint location and shorten the cable lengths, resulting in a more efficient implementation.

[redacted]

Project timetable

Table 4 provides the high-level project timetable. Given the dependency of the works WELL is required to undertake, WELL will co-ordinate the works with Transpower. As such the timetable shown below is coordinated with the timetable Transpower has indicated for its development.

Table 4 – Project timetable

Project step	Date
Reopener application submitted to the Commerce Commission	August 2025
Transpower detailed design Wellington Electricity detailed design	Q1 to Q3 2026 Q1 to Q3 2026
Transpower construction tender process Wellington Electricity procurement process	Start Q3 2026 Start Q3 2026
Transpower construction Wellington Electricity construction	Q2 2027 to Q2 2028 Q4 2027 to Q2 2028
Construction finishes and asset commissioned	July 2028

Procurement strategy

All elements of the project will be procured by tender where it is practical to do so, ensuring competitive market prices. Elements which cannot be procured by tender will use an alternative method to ensure the same. These methods include:

- [redacted]
- Pre-negotiated rates for project management costs.
- Benchmarking analysis and/or consultation with an expert for all other non-tendered services.

4 Reopener criteria

This application is made in accordance with the Electricity Distribution Services Input Methodologies (Reopeners and Other Matters) Amendment Determination 2025, clause 4.5.9(e) for unforeseeable large resilience capex projects.

Accordingly:

- When WELL submitted its capex forecasts for DPP4 on 31 March 2024 for the period 1 April 2024 - 31 March 2034, the project was not included. As such, it was not possible for WELL to include this project within the forecast that the DPP4 capex allowance calculation is based on.
- The timing of the design and associated engineering has meant that the project is not included within the expenditure forecast included in the 2025 AMP.

Table 5 in Appendix 1 demonstrates that the relevant unforeseeable large project criteria have been met.

5 Impact on future network tariffs

The forecast cost of Transpower's Central Park 2 project has not been released to WELL. These will form the basis for a New Investment Agreement and will form part of the Transmission charges faced by WELL and WELL's customers. WELL's component of the project as described by this reopener are forecast to increase tariff revenue by approximately 0.4% per annum (measured as the increase in

revenue that is recovered from customers by network tariffs). We estimate the average residential monthly bill increase of between 20 and 40 cents.

The increase in revenue is calculated by adding the total value of this reopener to the 2026/27 commissioned assets and measuring the change in BBAR before tax for the 2027/28 regulatory year. The percentage change is calculated as the revenue change as a proportion of Forecast Allowable Revenue from the DPP4 decision and preliminary cost estimates for pass-through and recoverable costs.

6 Next steps and closing

Thank you for taking the time to consider this reopener application. Please don't hesitate to contact us with any questions you might have, either by email to [redacted].

Appendix 1

The criteria and responses listed in Table 5 below relate specifically to the proposed investment by WELL for the connection of WELL's 33kV network to Transpower's proposed Central Park 2 substation.

Table 5: Input Methodologies clause 4.5.9 Unforeseeable large project

Criteria	Assessment	Supporting evidence
An 'unforeseeable large project' is a project or programme that has a primary driver of meeting demand for- (a) connection capex; (b) system growth expenditure; (c) asset relocation capex; (d) a combination of connection capex and system growth expenditure; or (e) resilience capex,	(e) resilience capex This is a capex project for the purposes of preparing to mitigate or respond to 1 or more high-impact, low-probability events that, if the preparation is not done promptly, may have a significant impact on WELL's ability to maintain current security or quality of supply standards. The capex project is **not** required for: (a) asset replacement and renewal capex that is consistent with appropriate lifecycle and asset management planning; or (b) expenditure for cybersecurity.	Refer to section 7.2.6 – Electricity projects of the Wellington Lifelines – Regional Resilience Project report. And Reference [redacted] letter in support of this application.
(f) the EDB's forecasts used by the Commission for setting the DPP to which the project or programme relates did not include that project or programme;	WELL's forecasts used by the Commission for setting DPP4 did not include the project.	Refer to section 3: Project Scope
(g) it was reasonable for the EDB not to have included that project or program in the forecasts;	WELL's 2024 AMP acknowledges the project, however the scope of the work was unknown at the time of WELL's submission of its capex forecasts for the relevant period on 31 March 2024. WELL costs are entirely dependent on Transpower's selection of the site and the proposed solution which were unknown at the time. The scope of the reopener costs were unknown until the development of the SSR, which has only been provided in draft in October 2024, and with the latest draft in June 2025. Note that this reopener is subject to the final requirements determined by Transpower's final version of the SSR which is yet to be received. WELL was therefore unable to forecast the investment that would be required.	Refer to section 3: Project Scope
(h) the amount of capital contributions to be received by the EDB for the project or programme is sufficient in the circumstances, and is in accordance with the EDB's usual policy on capital contributions;	Not applicable because this investment falls outside of WELL's Customer Contribution Policy. It does not relate to a customer: - connecting to WELL's network; or - altering an existing connection on WELL's network; or	N/A

Criteria	Assessment	Supporting evidence
	- relocating WELL assets.	
(i) the relevant expenditure specified in subclause (2) for the project or programme exceeds one of the thresholds specified in subclause (3);	The forecast total value of commissioned assets for the project or programme is $11.5m, which exceeds the $2.5m threshold.	
(j) in respect of paragraph (a), an authorised officer of the connecting party has confirmed in writing to the Commission that it is committed to the project or programme;	Not applicable as the primary driver is **not** connection capex. In this case, WELL is the connecting party (albeit outside of the definition contained within the IMs). However, [redacted] has provided a letter of support for the project.	Refer to [redacted] letter in Appendix A.
(k) in respect of paragraph (b), the EDB has provided sufficient evidence to the Commission that the project or programme is prudent; (l) in respect of paragraph (c), an authorised officer of a relocation party has confirmed in writing to the Commission that it is committed to the project or programme; (m) in respect of paragraph (d),- (i) an authorised officer of the connecting party has confirmed in writing to the Commission that it is committed to the project or programme; and (ii) the EDB has provided sufficient evidence to the Commission that the project or programme for system growth expenditure is prudent;	Not applicable as primary driver is resilience capex.	N/A
(n) in respect of paragraph (e), the EDB has provided sufficient evidence to the Commission that the project or programme is prudent; and	The project is prudent because: • The solution selected is the lowest cost while not exasperating single point failure risks. Therefore it provides the best long-term benefits to consumers; and • The forecast cost for the selected solution reflects market rates. • The works proposed in this application form part of the wider project including Transpower's investment.	Refer to section 3 detail the alternative options considered, demonstrating that the selected option was the lowest long-term cost option while ensuring that the objectives of the project are achieved. Section 3 of this report provides the methodology used to determine that the project cost reflects market prices.
(o) any proposed additional revenue sought will be apportioned by the EDB	The project cost will be added to the regulatory asset base (RAB) and funded by network tariffs.	Section 5 provides the relevant details.

Criteria	Assessment	Supporting evidence
appropriately between different parties.	It is estimated that WELL's investment will have a 0.4% impact on network tariffs, assuming all other inputs to the tariff-setting process remain constant.	

Table 6, below, is provided for reference to assist the Commerce Commission in its consideration of whether to amend the DPP.

Table 6: Input Methodologies clause 4.5.13 Commission consideration of whether to amend the DPP

Criteria	Comments	Relevant references
(a) the impact of the reopener event given the relevant circumstances, including both positive and negative effects, on the EDB's costs, revenues, and quality outcomes;	The investment the reopener event relates is a critical project required to mitigate a significant risk to security of supply and maintain quality standards. The reopener event is of a significant size relative to WELL's capex program, and as such without the reopener, it will have significant impact on WELL's capex program.	Refer to section 1: Introduction and section 7.2.6 – Electricity projects of the Wellington Lifelines – Regional Resilience Project report.
(b) the extent to which the DPP provides explicitly or implicitly for the reopener event	The draft DPP4 determination does not include any allowance for this project. As such, an additional allowance is needed.	Refer to section 3: Project Scope
(c)(i) whether the action required to respond to the reopener event's adverse consequences can be delayed	WELL is unable to defer investment for this project as it is required to mitigate a significant security of supply risk and maintain WELL's performance to quality standards.	Refer to sections 1-3
(c)(ii) the extent to which the EDB: (A) contributed to the adverse consequences of the reopener event by its action or omission; and (B) could have prevented or overcome the adverse consequences of the reopener event by exercising reasonable diligence at reasonable cost;	WELL was unable to include this project in its capex forecasts as the scope of the project – specifically, the investment that would be required by WELL – was not known at the time. WELL has continued to actively seek mitigation of the risk at Central Park since 2009.	Refer to sections 1-3
(c)(iii) whether the EDB's planned capex and opex for the remainder of the regulatory period have been appropriately reviewed and reprioritized.	WELL has considered the availability and consequence of re-prioritising capex to support this project. However, no DPP4 allowances are available for this project.	Refer to section 3: Project Scope
(d) whether a CPP proposal is more appropriate than an amendment to the DPP under this subpart.	WELL considers a DPP reopener to be more appropriate than a CPP proposal for the following reasons:	Refer to sections 1-3 Refer to section 5: Impact on future network tariffs.

Criteria	Comments	Relevant references
	- The project addresses a single risk. It is **not** part of a wider programme requiring wide engagement with consumers and other interested persons. - The likely price impact to consumers is negligible and is not anticipated to materially impact consumers or the network. - The investment is not large enough nor of sufficient scope to justify a customised price-quality path (CPP) application. - Given that this is a critical project required to mitigate a significant risk to security and maintain WELL's performance to quality standards, WELL is unable to defer investment for this project. - Is less than $30m	