

1 May 2009

Media release

Electricity Commission approves NAaN project

The Electricity Commission has approved Transpower's \$473 million North Auckland and Northland (**NAaN**) project, which will reinforce electricity supply through Auckland and for Northland.

The project involves installing a cable between Penrose and Albany, a new 220/110kV transformer at the Penrose substation, and a 220kV cable between the Pakuranga and Penrose substations. The project makes allowance for two new grid exit points to supply Vector at Hobson Street in the CBD and Wairau Road on the North Shore. Transpower has withdrawn a second proposal regarding a potential second cable between the Penrose and Albany substations.

The Commission's approval is required before Transpower can charge consumers for the cost of new transmission investments. The Commission had previously said it intended to decline the proposal as analysis showed it did not pass the cost-benefit test that all transmission projects must pass. The test compares Transpower's proposals against alternatives to see which provides the best value, and so protects consumers from paying too much for transmission.

In its original decision to decline, the Commission said that alternatives to NAaN, including waiting to build it until it was needed in 2016, appeared to have significant benefits compared to proceeding with the project as a whole at this time. In particular there was uncertainty over the proposed Genesis Energy power station at Rodney.

New information presented at a public conference has caused the Commission to review its assumptions regarding the alternatives, the comparative benefits of the NAaN proposal and its earliest commissioning date, which Transpower now says is 2014. After considering these submissions and carrying out further analysis, the Commission has concluded that NAaN is the best way to reinforce supply through Auckland.

Electricity Commission Chair David Caygill said: "The NAaN project was a difficult one to review as there were a large number of factors to consider. The Commission was greatly assisted by the public submissions in response to its preliminary decision. These yielded fresh information which the Commission has taken account of. The result should give consumers confidence in the future reliability of the transmission system."

Mr Caygill noted that since 2004 the Commission has approved more than \$2.7 billion in transmission investments. When built they will roughly double the value of the transmission grid. The Commission now has only one minor transmission investment in front of it for consideration: a \$4.9m proposal to upgrade Bombay substation.

The reasons for the decision and other documents are available at

<http://www.electricitycommission.govt.nz/opdev/transmis/gup/naan#naan-investment-proposal-1>

— ends —

For more information:

Peter Thornbury

Senior Adviser Communications

+64 4 462 0617

+64 21 392 275