

Auckland Electricity Update

Roy Hemmingway, Chair
New Zealand Electricity Commission
September 2005



The Electricity Commission

- Established to regulate electricity sector
September 2003 after failure of industry self-governance
- Full-time chair and four part-time commissioners
- 40 staff
- Oversees electricity markets, provides dry year reserves, conducts electricity efficiency programmes, and regulates Transpower



Electricity Issues

- Auckland supply
 - Peak demand
 - Generation or transmission
- National supply
 - Dry year
 - Rising demand
- Prices

Auckland Supply Issues

Auckland Supply

- Auckland forecasted to exceed available capacity (transmission & generation) at peak times
- Transpower's 400 kilovolt line proposal

Transpower's 400 kv Proposal

- From Whakamaru to Otahuhu
- To serve Auckland peak loads
- Pylons up to 67 metres tall
- \$500 million cost, plus or minus
- First of major grid upgrades
- Intention to build by 2010
- First line in NZ to seek exclusive corridor

Major Grid Upgrades

- Transpower proposes Grid Upgrade Plan (GUP) to Commission.
- Commission considers GUP against Grid Investment Test (GIT).
- Commission must consider and consult on alternatives.
- Commission decision for WKM-OTA 400kV, mid-2006.

Work to Date

- Initial Statement of Opportunities (SOO) published
 - Load forecast agreed
 - 2010 deadline affirmed
- First public meetings – June
- Consultation on alternatives
- First shortlist of alternatives
- Second public meetings – September

Alternatives

- Transmission alternatives
 - Other voltages, new conductor, HVDC, undergrounding, use of existing pylons
- Generation alternatives
 - Peaking turbines, major new generators, small generators
- Demand-side alternatives
 - Gas conversion, insulation, CFLs, load shifting, major retrofits

Commission's Alternatives Consultation Process*

27 May 2005	Paper seeking submissions released.
13 July 2005	Close date for written submissions, assessment commenced.
Late Sept 2005	Publish initial review of submissions. Second series of public briefings.
* Nov/Dec 2005	Publish preliminary assessment and conclusions. Third series of public briefings.
* Feb 2006	Commission reaches draft conclusions on GUP, published for consultation.

* indicative dates

National Electricity Issues

National Electricity Issues

- Generation investment keeping pace with demand
- New generation likely to be ‘just in time’
- Continuing uncertainties about fuel
- Wind development underway
- Electricity efficiency lacking
- Should there be more central planning?

Electricity Prices

Achieving Affordable, Stable Prices

- Prices for businesses have risen in last 5 years
- Prices not stable in wholesale market
- Little trading outside of half-hourly market
- Regional retail markets have developed
- Competition for load (customers) is weak
- Customers bearing risk

What Are We Doing About Affordable, Stable Prices?

- Diagnosis and treatment difficult
- Hedge Market Development Steering Group formed
- Study of market structure weakness completed
- Study of market structure solutions underway
- Study of competition by Commerce Comm.
- Demand side efforts

Conclusion

- Electricity system is sound
- Winter security not in jeopardy
- Auckland 2010 supply a major focus
- Generation investment sufficient
- Markets not operating as they should
- Efficiency needs major focus

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