

# 1 Section III Grid Upgrade and Investments

## 1. Contents of section III

Section III contains rules dealing with:

- 1.1 **grid reliability standards;**
- 1.2 **grid investment test;**
- 1.3 **investment contracts;**
- 1.4 **statements of opportunities;**
- 1.5 **grid planning assumptions;**
- 1.6 **centralised data set;**
- 1.7 **grid upgrade plans;**
- 1.8 transitional provisions; and
- 1.9 consequence of approval of **grid** investment.

## 2. Purpose of the grid upgrade and investment rules

The purposes of the rules in section III are to:

- 2.1 facilitate **Transpower's** ability to develop and implement long term plans (including timely securing of land access and resource consents) for investment in the **grid**;
- 2.2 assist **participants** to identify and evaluate investments in **transmission alternatives**;
- 2.3 facilitate efficient investment in generation;
- 2.4 facilitate any processes pursuant to Part 4A of the Commerce Act 1986; and

- 2.5 enable the cost of approved investments to be recovered through the **transmission pricing methodology** applied in **transmission agreements**.

### 3. **Obligations to provide information**

- 3.1 All **participants** must provide information reasonably required by the **Board** for the purposes of this section and respond to requests from the **Board** under this section promptly and accurately.
- 3.2 **Participants** must use reasonable endeavours to provide accurate information.
- 3.3 The **Board** is not liable for the accuracy of any information provided by **participants**.
- 3.4 Subject to the Official Information Act 1982, the **Board** may at its discretion, or on the application of an affected party, withhold **publication** of confidential aspects of the information provided by **participants** to the **Board** if the **Board** reasonably considers that there is good reason for withholding it.

### 4. **Grid reliability standards**

#### 4.1 **Board determines grid reliability standards**

- 4.1.1 The **Board** must determine the most appropriate **grid reliability standards**.
- 4.1.2 The **Board** is to consider and determine **grid reliability standards**, having regard to the purposes set out in rule 4.2 and the principles set out in rule 4.3.

#### 4.2 **Purpose of grid reliability standards**

- 4.2.1 The purpose of the **grid reliability standards** is to provide a basis for:
  - 4.2.1.1 the **Board** to **publish statements of opportunities** (other than the **initial statement of opportunities**);
  - 4.2.1.2 **Transpower** to prepare **grid upgrade plans**;
  - 4.2.1.3 other parties to appraise opportunities for transmission investments and **transmission alternatives**.

### 4.3 Principles of grid reliability standards

The **grid reliability standards** should:

- 4.3.1 take into account the **grid investment test**;
- 4.3.2 take into account that transmission investments are long-lived assets and require a long-term planning perspective;
- 4.3.3 reflect the public interest in reasonable stability in planning, having regard to the long term nature of investment in transmission assets;
- 4.3.4 be consistent with good electricity industry practice;
- 4.3.5 provide flexibility to allow the form of the standards to evolve over time, reflecting any changes in good electricity industry practice;

### 4.4 Content of grid reliability standards

- 4.4.1 The **grid reliability standards** must contain one or more standards for reliability of the **grid**, which may include without limitation a primary reliability standard and other reliability standards.
- 4.4.2 The reliability standards set out in the **grid reliability standards** may differ to reflect differing circumstances in different regions supplied by the **grid**.
- 4.4.3 The **grid reliability standards** may include one or more standards for reliability of the **core grid**.
- 4.4.4 The **grid reliability standards** may contain supporting information, such as information summarising economic assessments balancing different levels of reliability and the expected value of energy at risk.

### 4.5 Board must publish draft grid reliability standards

- 4.5.1 The **Board** must **publish** draft **grid reliability standards** as soon as practicable.
- 4.5.2 At the time the **Board publishes** the draft **grid reliability standards** the **Board** must notify **registered participants** of the date by which submissions on the draft **grid reliability standards** are to be received by the **Board**. The date must be no earlier than 15 **business days** from the date of **publication** of the draft **grid reliability standards**.

### 4.6 Submissions process

Every submission on the draft **grid reliability standards** must be made in writing to the **Board** and be received on or before the **submission expiry date**. In addition to receiving written submissions, the **Board** may elect to hear one or more oral submissions.

#### **4.7 Board to consider submissions and make recommendations to Minister**

Within 20 **business days** of the **submission expiry date** (or such longer period as the **Minister** may allow), the **Board** must complete its consideration of all submissions it receives on the draft **grid reliability standards** and make recommendations to the **Minister** for inclusion of the **grid reliability standards** in a schedule to this section, in accordance with the **Act**.

### **5. Review of grid reliability standards**

#### **5.1 Interested parties may request review of grid reliability standards**

5.1.1 Interested parties may request a review by the **Board** of the **grid reliability standards**. The request must be in the form of a written submission to the **Board** describing:

5.1.1.1 the nature of the interest of the party seeking a review;

5.1.1.2 how the review might enable the **grid reliability standards** to better reflect the purpose and principles set out in rules 4.2 and 4.3.

5.1.2 In addition to receiving written submissions, the **Board** may elect to hear one or more oral submissions.

5.1.3 The **Board** must either undertake a review of the **grid reliability standards**, or decline to review the **grid reliability standards** and **publish** reasons for declining.

#### **5.2 Board review of grid reliability standards**

5.2.1 The **Board** may initiate a review of the **grid reliability standards** for any reason consistent with the statutory objectives of the **Board** in section 172N of the **Act** and the purpose and principles set out in rules 4.2 and 4.3.

5.2.2 If the **Board** undertakes a review of the **grid reliability standards** in accordance with rule 5.1.3 or rule 5.2.1, the **Board** must repeat the steps set out in rules 4.5 to 4.7.

### **5A. Core grid determination**

#### **5A.1 Board determines core grid determination**

5A.1.1 The **Board** must determine the most appropriate **core grid determination**.

- 5A.1.2 The **core grid** specified in the **core grid determination** must include:
  - 5A.1.2.1 at a minimum, those **assets** that comprise the main elements of the **grid**; and
  - 5A.1.2.2 at most, all **assets** that form part of the **grid** and operate at nominal voltages of 66kV and above.
- 5A.1.3 In determining the most appropriate **core grid determination**, and in any subsequent review of the **core grid determination**, the **Board** must have regard to:
  - 5A.1.3.1 the purposes set out in rule 5A.2;
  - 5A.1.3.2 the principles set out in rule 4.3 for the **grid reliability standards**; and
  - 5A.1.3.3 the objectives set out in rule 5A.3.
- 5A.1.4 In determining the most appropriate **core grid determination**, the **Board** may engage **Transpower** or any other person to assist in the preparation of all or part of the **core grid determination**.

## 5A.2 Purpose of core grid determination

- 5A.2.1 The purpose of the **core grid determination** is to provide a basis for:
  - 5A.2.1.1 the **Board** to determine the **grid reliability standards**;
  - 5A.2.1.2 the **Board** to **publish statements of opportunities**;
  - 5A.2.1.3 **Transpower** to prepare **grid upgrade plans**; and
  - 5A.2.1.4 other parties to appraise opportunities for transmission investment and **transmission alternatives**.

## 5A.3 Objectives of core grid determination

- 5A.3.1 The **Board** must have regard to the following objectives in determining, and in any subsequent review of, the **core grid determination**:
  - 5A.3.1.1 avoiding the failure or removal from service of any **asset** forming part of the **core grid**, where the failure or removal from service of that **asset** may result in cascade failure;
  - 5A.3.1.2 providing flexibility to allow the **core grid** to evolve over time, reflecting any changes in the **grid**; and
  - 5A.3.1.3 reflecting the public interest in reasonable stability in planning for transmission.

#### **5A.4 Board must publish draft core grid determination**

5A.4.1 The **Board** must **publish** a draft **core grid determination** as soon as practicable.

5A.4.2 At the time the **Board publishes** the draft **core grid determination** the **Board** must notify **registered participants** of the date by which submissions on the draft **core grid determination** are to be received by the **Board**. The date must be no earlier than 15 **business days** from the date of publication of the draft **core grid determination**.

#### **5A.5 Submission process**

Every submission on the draft **core grid determination** must be made in writing to the **Board** and be received on or before the **submission expiry date**. In addition to receiving written submissions, the **Board** may elect to hear one or more oral submissions.

#### **5A.6 Board to consider submissions and make recommendations to Minister**

Within 20 **business days** of the **submission expiry date** (or such longer period as the **Minster** may allow), the **Board** must complete its consideration of all submissions it receives on the draft **core grid determination** and make recommendations to the **Minister** for inclusion of the **core grid determination** in a schedule to this section, in accordance with the **Act**.

### **5B. Review of core grid determination**

#### **5B.1 Interested parties may request review of core grid determination**

5B.1.1 Interested parties may request a review by the **Board** of the **core grid determination**. The request must be in the form of a written submission to the **Board** describing:

5B.1.1.1 the nature of the interest of the party seeking a review;

5B.1.1.2 how the review might enable the **core grid determination** to better reflect the purpose and objectives set out in rules 5A.2 and 5A.3 respectively.

5B.1.2 In addition to receiving written submissions, the **Board** may elect to hear one or more oral submissions.

5B.1.3 The **Board** must either undertake a review of the **core grid determination**, or decline to review the **core grid determination** and **publish** reasons for declining.

## **5B.2 Board review of core grid determination**

5B.2.1 The **Board** may initiate a review of the **core grid determination** for any reason consistent with the statutory objectives of the **Board** in section 172N of the **Act** and the purpose and objectives set out in rules 5A.2 and 5A.3 respectively.

5B.2.2 If the **Board** undertakes a review of the **core grid determination** in accordance with rule 5B.1.3 or rule 5B.2.1, the Board must repeat the steps set out in rules 5A.4 to 5A.6.

## **6. Grid investment test**

### **6.1 Board determines grid investment test**

6.1.1 The **Board** must determine the most appropriate **grid investment test**.

6.1.2 The **Board** is to consider and determine the most appropriate **grid investment test**, having regard to the objectives set out in rule 6.3.

### **6.2 Application of grid investment test**

The **grid investment test** is to be applied by:

6.2.1 the **Board** in developing **grid reliability standards**;

6.2.2 **Transpower**, to determine proposed **economic investments** for inclusion in the proposed **grid upgrade plan**;

6.2.3 the **Board**, to review and approve **reliability investments** and **economic investments**;

6.2.4 the **Board** to review **transmission alternatives**.

### **6.3 Objectives of grid investment test**

The **Board** must have regard to the following objectives in developing, and in any subsequent review of, the **grid investment test**:

6.3.1 promoting economic efficiency (including energy efficiency) in transmission and the wholesale electricity market;

6.3.2 as far as practicable reflecting the interests of end use customers in ensuring a reliable transmission system having regard to the cost to end use customers;

6.3.3 reflect a reasonable economic assessment of the balance between different levels of reliability and the expected value of energy at risk;

- 6.3.4 enabling selection of transmission upgrade options that maximise the total net benefits to those who produce, distribute and consume electricity after taking into account **transmission alternatives**;
- 6.3.5 promoting certainty for investment in transmission, generation and **transmission alternatives** and **investment contracts**;
- 6.3.6 facilitating outcomes acceptable to **Transpower** and **designated transmission customers**.

#### **6.4 Board must publish draft grid investment test**

- 6.4.1 The **Board** must **publish** a draft of the **grid investment test** as soon as practicable.
- 6.4.2 At the time the **Board publishes** the draft **grid investment test** the **Board** will notify **registered participants** of the date by which submissions on the draft **grid investment test** are to be received by the **Board**. The date will be no earlier than 15 **business days** from the date of **publication** of the draft **grid investment test**.

#### **6.5 Submissions process**

Every submission on the draft **grid investment test** must be made in writing to the **Board** and received on or before the **submission expiry date**. In addition to receiving written submissions, the **Board** may elect to hear one or more oral submissions.

#### **6.6 Board to consider submissions and make recommendations to Minister**

Within 20 **business days** of the **submission expiry date** (or such longer period as the **Minister** may allow), the **Board** must complete its consideration of all submissions it receives on the draft **grid investment test** and make recommendations to the **Minister** for inclusion of the **grid investment test** in a schedule to this section, in accordance with the **Act**.

### **7. Review of grid investment test**

#### **7.1 Request for review**

- 7.1.1 Interested parties may request a review by the **Board** of the **grid investment test**. The request must be in the form of a written submission to the **Board** describing:
  - 7.1.1.1 the nature and interest of the party seeking a review; and

7.1.1.2 how the review might enable the **grid investment test** to better reflect the **grid investment test** objectives set out in rule 6.3.

7.1.2 In addition to receiving written submissions, the **Board** may elect to hear one or more oral submissions.

7.1.3 The **Board** must either undertake a review of the **grid investment test**, or decline to review the test and **publish** reasons for declining.

## 7.2 Board may initiate review

7.2.1 The **Board** may initiate a review of the **grid investment test** for any reason consistent with the statutory objectives of the **Board** in section 172N of the **Act**, including without limitation a review to encourage **investment contracts**.

7.2.2 If the **Board** undertakes a review of the **grid investment test**, it must repeat the steps set out in rule 6.1 to 6.6.

## 8. Investment contracts

### 8.1 Purpose

This rule provides for **investment contracts** to be agreed between **designated transmission customers** and **Transpower**, and establishes a process to manage any potential implications for **grid reliability standards**.

### 8.2 Application

**Transpower** may only enter into **investment contracts** with implications for **grid reliability standards** if:

8.2.1 the **investment contracts** are consistent with the content of **grid reliability standards** set out in rule 4.4 or the proposed investment has been approved by the **Board** under rule 5.2.2 of section II, and rule 5.2.2 of section II will apply as if the **investment contracts** were **transmission agreements**; and

8.2.2 **Transpower** notifies the **Board** of the proposed **investment contract**.

## 9. Statements of opportunities

### 9.1 Purpose and content of statements of opportunities

9.1.1 The **statements of opportunities** are to:

- 9.1.1.1 set out the **grid reliability standards**, or, in the case of the **initial statement of opportunities**, the **interim grid reliability standards** prepared by the **Board** under rule 9.1.3:
  - 9.1.1.2 set out the **grid planning assumptions**; and
  - 9.1.1.3 include an analysis of the performance of the power system against the **grid planning assumptions** and, except in the case of the **initial statement of opportunities**, the **grid reliability standards**.
- 9.1.2 The purpose of the **statements of opportunities** is to enable identification of potential opportunities for efficient management of the **grid** including investment in upgrades and investment in **transmission alternatives**.
- 9.1.3 For the sole purpose of the **initial statement of opportunities**, the **Board** will prepare, for inclusion in the **initial statement of opportunities**, **interim grid reliability standards** which must contain:
- 9.1.3.1 an interim primary reliability standard that enables the reliability of the **grid** to be maintained during credible contingency events; and
  - 9.1.3.2 other interim reliability standards that may differ from the interim primary reliability standard to reflect differing circumstances in different regions supplied by the **grid**.
- 9.1.4 The **interim grid reliability standards** are not **grid reliability standards**.

## 9.2 Principles for statements of opportunities

In preparing **statements of opportunities**, the **Board** must have regard to the following principles:

- 9.2.1 **statements of opportunities** should aim to meet the reasonable requirements of **Transpower**, investors in generation, other **participants**, end use customers and those interested in evaluating **transmission alternatives**;
- 9.2.2 **statements of opportunities** should reflect good electricity industry practice;

## 9.3 Statements of opportunities provided for information only

**Statements of opportunities** are provided for information only. No liability will attach to the **Board**, **Transpower** or any other person for the accuracy of **grid planning assumptions** set out in **statements of opportunities**.

#### **9.4 Board may engage Transpower or any other person to assist**

The **Board** may engage **Transpower** or any other person to assist in the preparation of all or part of **statements of opportunities**.

#### **9.5 Board must publish draft statements of opportunities**

9.5.1 The **Board** must **publish** draft **statements of opportunities** as soon as reasonably practicable after their preparation.

9.5.2 At the time the **Board** publishes draft **statements of opportunities**, the **Board** must notify **registered participants** of the date by which submissions on a draft **statement of opportunities** is to be received by the **Board**. The date must be no earlier than 15 **business days** from the date of **publication** of a draft **statement of opportunities**.

#### **9.6 Submissions process**

Every submission on the draft **statements of opportunities** must be made in writing to the **Board** and received on or before the **submission expiry date**. In addition to receiving written submissions, the **Board** may elect to hear one or more oral submissions.

#### **9.7 Board to consider submissions and finalise and publish statement of opportunities**

Within 20 **business days** of the **submission expiry date** (or such longer period as the **Minister** may allow), the **Board** must complete its consideration of all submissions it receives on a draft **statement of opportunities** and finalise and **publish** the **statement of opportunities**.

### **10. Grid Planning Assumptions**

#### **10.1 Purpose of grid planning assumptions**

This purpose of this rule is to assist the **statement of opportunities** to meeting its purpose laid out in rule 9.1.2.

#### **10.2 Principles for grid planning assumptions**

The principles for **grid planning assumptions** are:

10.2.1 **grid planning assumptions** should cover a reasonable range of credible forecasts and scenarios;

10.2.2 **grid planning assumptions** should have a length of outlook commensurate with consideration of future investment in long-life transmission assets;

- 10.2.3 **grid planning assumptions** should be as accurate as possible; and
- 10.2.4 the rigour applied to the process for developing the **grid planning assumptions** should be commensurate with the economic significance of the decisions to be made on the basis of them.

### 10.3 Contents of grid planning assumptions

10.3.1 **Grid planning assumptions** should include:

- 10.3.1.1 committed projects for additional generation, transmission, and demand side management;
- 10.3.1.2 a reasonable range of credible demand forecasts by region or **grid** exit point (e.g. high, medium and low growth); and
- 10.3.1.3 a reasonable range of credible future, high-level generation scenarios (e.g. different outcomes for generation capacity by region)

10.3.2 The **Board** may require **designated transmission customers** to provide forecasts of future demand;

## 11. Centralised data set

### 11.1 Board to establish and maintain centralised data set

The **Board** must establish and maintain a **centralised data set**.

### 11.2 Purpose of centralised data set

This purpose of the **centralised data set** is to support efficient planning processes by ensuring collection and ongoing maintenance by the **Board** of the factual and historical information required to make efficient and effective decisions on transmission and **transmission alternatives**.

### 11.3 Contents of centralised data set

A **centralised data set** should include:

- 11.3.1 provisions for updating and maintenance of data;
- 11.3.2 information on network capabilities, performance and constraints.

#### 11.4 Public access to centralised data set

Subject to rule 3.4, the **Board** must **publish** the **centralised data set**.

### 12. Grid upgrade plans

#### 12.1 Purpose of grid upgrade plans

12.1.1 The purpose of a **grid upgrade plan** is to enable **Transpower** to:

12.1.1.1 propose, and for the **Board** to review and approve, **reliability investments** that are justified on the basis of the **grid reliability standards** and the **grid investment test**; and

12.1.1.2 propose, and for the **Board** to review and approve, **economic investments** justified on the basis of the **grid investment test**

12.1.2 These rules establish differing processes for consideration and approval by the **Board** of the proposed investments referred to in **grid upgrade plans**, depending on the nature of the proposed investment;

12.1.3 In making any determinations or exercising any discretion under rules 12, 13, 14, and 15, the **Board** must have regard to:

12.1.3.1 the costs imposed on **Transpower**, **designated transmission customers**, end use customers, and the **Board** itself arising from any process of consultation, review, modelling or public conference;

12.1.3.2 the likelihood of benefits to end use customers exceeding regulatory costs.

#### 12.2 Obligations on Transpower in respect of grid upgrade plans

12.2.1 Subject to rule 12.2.2, **Transpower** must submit a **grid upgrade plan** to the **Board** within 3 months of receiving a written request from the **Board**, or such other date as the **Board** agrees, and may submit a **grid upgrade plan** for **Board** consideration at any other time.

12.2.2 Unless requested to do so by the **Board**, **Transpower** may not submit a **grid upgrade plan** to the **Board** in respect of a **reliability investment** that has been proposed by **Transpower** in accordance with the provisions of a **transmission agreement** or rule 5.6 of section II.

### 12.3 Content of grid upgrade plans

**Grid upgrade plans** submitted by **Transpower** under rule 12.2 must include:

12.3.1 a comprehensive plan for asset management and operation of the **grid**;

12.3.2 information on **investment contracts**

12.3.3 investment plans disaggregated into the following categories:

**Reliability investments** comprising:

- proposed **reliability investments**;
- justification for **proposed reliability investments** against the **grid reliability standards** and the **grid investment test**;
- any options considered in identifying the proposed **reliability investments**;
- consequences of non-investment or delay in investment; and
- forecast costs of proposed **reliability investments**;

**Economic investments** comprising:

- **economic investments** proposed by **Transpower**;
- justification of proposed **economic investments** against the **grid investment test**;
- any options considered in identifying the proposed **economic investments**; and
- forecast costs of proposed **economic investments**.

12.3.4 Such other content as prescribed in writing by the **Board**, to ensure that **grid upgrade plans** include such information that the **Board** considers is reasonably required to enable the **Board** and interested parties to evaluate proposed transmission investments, such as indicative pricing impacts of investment proposals.

## 12A. Grid reliability reporting

### 12A.1 Transpower to publish grid reliability report

12A.1.1 Within six months of the date of publication of a **statement of opportunities**, or such other date as determined by the **Board**,

having first consulted **Transpower**, **Transpower** must **publish** a **grid reliability report** setting out:

12A.1.1.1 a forecast of **demand** at each **grid exit point** over the next **10 years**;

12A.1.1.2 a forecast of **supply** at each **grid injection point** over the next **10 years**;

12A.1.1.3 whether the power system is reasonably expected to meet the **N-1 criterion**, including in particular whether the power system would be in a **secure state** at each **grid exit point**, at all times over the next **10 years**, having regard to the possible future scenarios set out in the **statement of opportunities**; and

12A.1.1.4 planning proposals for addressing any matters identified in accordance with rule 12A.1.1.3.

12A.1.2 The forecast of **demand** at each **grid exit point** and forecast of **supply** at each **grid injection point** included in the **grid reliability report published** under 12A.1.1 must be consistent with the forecasts of **demand** and **supply** set out in the **statement of opportunities** or must be explained by reference to the forecasts of **demand** and **supply** set out in the **statement of opportunities**.

12A.1.3 Where there is a material change in the forecast **demand** at any **grid exit point** or in the forecast **supply** at any **grid injection point** in the period considered by the most recent **grid reliability report**, **Transpower** must **publish** a revised **grid reliability report** as soon as reasonably practicable after that material change.

### 13. Approval of reliability investments

#### 13.1 Purpose

This rule sets out the processes for consultation, and **Board** approval of **reliability investments** proposed in **Transpower's grid upgrade plans**.

## 13.2 Consultation

- 13.2.1 The **Board** and **Transpower** must agree to a timetable for consultation and approval of **reliability investments**;
- 13.2.2 In the absence of agreement with **Transpower**, the **Board** may stipulate a timetable for consultation and approval of **reliability investments**; and
- 13.2.3 The **Board** must consult with **Transpower** in relation to a process for consultation with persons that the **Board** thinks are representative of the interests of persons likely to be substantially affected by the **reliability investments** and content of draft **grid upgrade plans**.

## 13.3 Board process for approving reliability investments

- 13.3.1 In exercising any discretion under rules 13.3 or 13.4, the **Board** must have particular regard to:
  - 13.3.1.1 regulatory costs including **Transpower's** costs; and
  - 13.3.1.2 the need to avoid unnecessary delays in approving **reliability investments**.
- 13.3.2 The **Board** must **publish** a notice and provide an opportunity for **designated transmission customers** to:
  - 13.3.2.1 provide written comments on **Transpower's** proposed **reliability investments**; and
  - 13.3.2.2 request that the **Board** consider alternatives to the proposed **reliability investments**;
- 13.3.3 The **Board** may:
  - 13.3.3.1 direct further investigations by **Transpower** of all or some of the proposed **reliability investments**;
  - 13.3.3.2 ask questions of **Transpower** or require further information or consultation in relation to part or all of the **reliability investments**;
  - 13.3.3.3 ask **Transpower** to evaluate alternative **reliability investments** including those which would result in differing probabilities of meeting the **grid reliability standards**,
  - 13.3.3.4 where **Transpower** possesses relevant expertise, ask **Transpower** to evaluate **transmission alternatives**.
- 13.3.4 **Transpower** may amend proposed **reliability investments** in response to the **Board's** requests set out in 13.3.3.

13.3.5 The **Board** may undertake such inquiries, appoint experts and undertake such consultation with affected parties as it considers reasonable to assist in its review;

#### 13.4 Board approval of reliability investments

The **Board** may:

13.4.1 Subject to rule 15, approve some or all of **Transpower's** proposed **reliability investments** where a proposed reliability investment:

13.4.1.1 reflects good electricity industry practice in meeting **grid reliability standards**; and

13.4.1.2 complies with the processes set out in these rules; and

13.4.1.3 meets the requirements of the **grid investment test**.

13.4.2 If the **Board** declines to approve a **reliability investment** under rule 13.4.1 above, it must **publish** reasons.

### 14. Approval of economic investments

#### 14.1 Purpose

This rule sets out the processes for consultation, and **Board** approval of the **economic investment** component of **Transpower's grid upgrade plans**.

#### 14.2 Consultation

14.2.1 The **Board** and **Transpower** must agree to a timetable for consultation and approval of **economic investments**;

14.2.2 In the absence of agreement with **Transpower**, the **Board** may stipulate a timetable for consultation and approval of **economic investments**; and

14.2.3 The **Board** must consult with **Transpower** in relation to a process for consultation with persons that the **Board** thinks are representative of the interests of persons likely to be substantially affected by **economic investments** and content of draft **grid upgrade plans**.

14.2.4 **Transpower** must consult on whether it has applied the **grid investment test** reasonably.

### 14.3 Board approval process of economic investments

14.3.1 The **Board** must review the application of the **grid investment test** by **Transpower** to determine whether **Transpower** has applied the **grid investment test** reasonably, and followed any agreed consultation process.

14.3.2 The **Board** may:

14.3.2.1 direct **Transpower** to consider modifying all or part of its application of the **grid investment test**;

14.3.2.2 direct **Transpower** to investigate and apply the **grid investment test** to alternative **economic investments**, but must consult with **Transpower** before doing so.

14.3.3 **Transpower** may amend or introduce new **economic investments** in response to the **Board's** requests at 14.3.2.1 and 14.3.2.2.

14.4 Subject to rule 15, the **Board** may approve proposed **economic investments** where **Transpower** has applied the **grid investment test** reasonably, and followed any agreed consultation process.

## 15. Publishing of grid upgrade plans and approvals

### 15.1 Board to publish grid upgrade plans and intention to approve

The **Board** must **publish grid upgrade plans** and a notice of its intention to approve some or all of the **reliability investments** and **economic investments** in the **grid upgrade plan**.

### 15.2 Requesting a public conference

If a **designated transmission customer**, an authorised representative of parties substantially affected by the **grid upgrade plan**, or **Transpower** consider that:

15.2.1 the interests of end use customers are materially adversely affected by the cost or the service outcome of a proposed investment set out in a **grid upgrade plan**, or

15.2.2 the **grid investment test** has not been applied properly to a **grid upgrade plan**,

the **designated transmission customer**, authorised representative, or **Transpower** may, within 10 **business days** of the date of **publication** of the notice of the **Board's** intention to approve some or all of the investments in a **grid upgrade plan**, request the **Board** to hold a public conference.

### 15.3 Purpose of a public conference

The purpose of a public conference is to provide a final opportunity for comment on the **grid upgrade plan**.

### 15.4 Board may agree or refuse request for public conference

15.4.1 The **Board** may agree or refuse the request to conduct a public conference.

15.4.2 If the **Board** refuses a request to conduct a public conference, the **Board** must **publish** its reasons for the refusal.

### 15.5 Board may confirm or amend investments in grid upgrade plan

15.5.1 Following the public conference, the **Board** may confirm or amend investments in the **grid upgrade plan**.

15.5.2 Where no public conference is held, **Board** decisions concerning investments in the **grid upgrade plan** are final.

## 16. Transitional provisions

### 16.1 Board may approve interim grid expenditure

The **Board** may approve interim **grid** expenditure proposed by **Transpower** having regard to the purpose and principles set out in rule 16.2

### 16.2 Purpose and principles

16.2.1 The purpose of this rule is to allow the **Board** to approve interim **grid** expenditure proposed by **Transpower** before the **Board** makes final decisions on the first **grid upgrade plan**.

16.2.2 The **Board** must be satisfied that the proposed **grid** expenditure is additional to **Transpower's** normal ongoing **grid** expenditure.

16.2.3 The **Board** must also be satisfied that the proposed **grid** expenditure is:

16.2.3.1 reasonably prudent or necessary to meet **Transpower's** current grid reliability standards; or

16.2.3.2 prudent expenditure on preparatory work necessary for other **grid** expenditure that have not yet been approved in a **grid upgrade plan**; or

16.2.3.3 emergency expenditure.

16.2.4 The **Board** is not required to undertake a formal cost/benefit analysis or apply the **grid investment test** when it decides whether or not to approve an interim **grid** expenditure proposed by **Transpower** under this rule.

### 16.3 Obligations on Transpower

**Transpower** must submit to the **Board** such information as the **Board** considers is reasonably necessary to enable the **Board** to properly consider and decide whether or not to approve an interim **grid** expenditure proposed under this rule.

### 16.4 Obligations on Board

The **Board**:

16.4.1 must consider whether **Transpower's** proposals meet the requirements of rule 16.2;

16.4.2 may consult with persons that the **Board** thinks are representative of the interests of persons likely to be substantially affected by the proposals;

16.4.3 must decide whether or not to approve all or any part of the **grid** expenditure proposed by **Transpower** within 6 weeks of the information under rule 16.3 being submitted to the **Board** by **Transpower**.

16.4.4 If **Transpower** submits a revised or modified proposal for interim **grid** expenditure after an initial proposal is rejected by the **Board**, the revised or modified proposal must be treated by the **Board** as a new proposal for interim **grid** expenditure by **Transpower**.

## 17. Consequence of approval of grid investment or expenditure

### 17.1 Recovery of investment costs by Transpower

Approved costs incurred by **Transpower** in relation to an approved economic or reliability investment, or interim **grid** expenditure approved under rule 16, (irrespective of when they were incurred) are recoverable by **Transpower** from **designated transmission customers** on the basis of **the transmission pricing methodology** and are to be paid by **designated transmission customers** accordingly.

### 17.2 No review of investment or expenditure decisions

Approval by the **Board** of grid investment or expenditure may not be revoked or amended except with the consent of **Transpower**.

**17.3 Board to give notification to the Commerce Commission**

Within not less than 10 **Business Days** of approving an economic or reliability investment, or interim **grid** expenditure approved under rule 16, the **Board** must advise the Commerce Commission of its decision.