

05/01/06 New Zealand regulators reject Auckland transmission project

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The New Zealand Electricity Commission has told national grid operator Transpower that its controversial high-voltage electric transmission line intended to deliver more reliable power to Auckland by 2010 should be deferred in favor of lower cost system upgrades or more local generation. The \$622 million (NZ\$) project has encountered stiff resistance from local landowners, who claim it is unnecessary and would bring adverse visual and environmental effects that will hurt their property values ([Greenwire](#) March 20).

Commission Chairman Roy Hemmingway said, "There are alternatives that provide the same level of electricity security but are less expensive than the proposed 400 KV line. Therefore, at this stage, the commission cannot approve the proposal."

The commission found that Transpower may have underestimated project costs by \$88 million and that system upgrades and the expansion of 220 KV lines by 2017 would save ratepayers as much as \$250 million. That finding was based on a statutory "grid investment test" that EC staff used to measure the cost effectiveness of various project alternatives.

Still, the April 27 draft decision said, "Unless there is a reduction in growth of demand or assurance of new generation near Auckland, substantial upgrades will be required."

New Zealand is heavily dependent on hydropower, but low water storage levels and demand growth in the Auckland area have raised concerns about utilities' ability to supply enough power and pushed generators to operate with little if any spare capacity.

While the vote to deny Transpower's plan was unanimous, commissioner David Close criticized the lack of a "longer term plan" for improving reliability on the North Island's grid. Close said the way the grid investment test was applied "tends to advantage incremental, short-term solutions and disadvantage long-term plans for major upgrades."

Ralph Craven, chief executive officer of Transpower, said the company still hopes to convince regulators that the 400 KV line is the best solution for meeting Auckland's growing power needs. "Transpower believes reliability is critical to the integrity of the network and would not like to see it compromised through lack of timely investment," Craven said.

Project opponents, including a group of land owners called New Era Energy, expressed support for the EC ruling and called on Transpower's board to drop the project and fire Craven as CEO for his alleged "arrogance" for pushing the line. "Transpower seems only interested in building electricity transmission capacity and gaining revenue from it," said New Era Energy spokesman Bob McQueen in a statement. "We feel the key issue is not transmission capacity; it is about locating generation capacity in the Auckland region or north of Auckland."

The commission expects to finalize its decision in mid-July, after holding a series of public meetings in the affected communities and taking comments on the draft ruling.