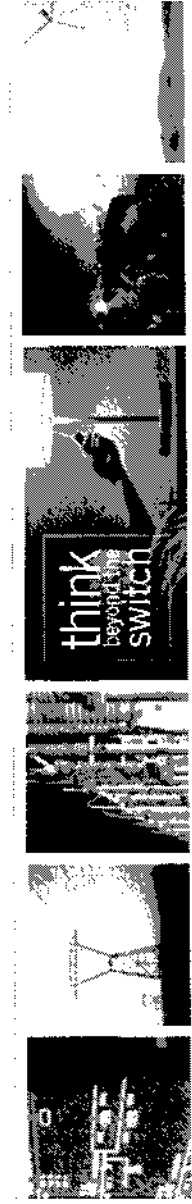


# Auckland Stakeholder Function

14 March 2006

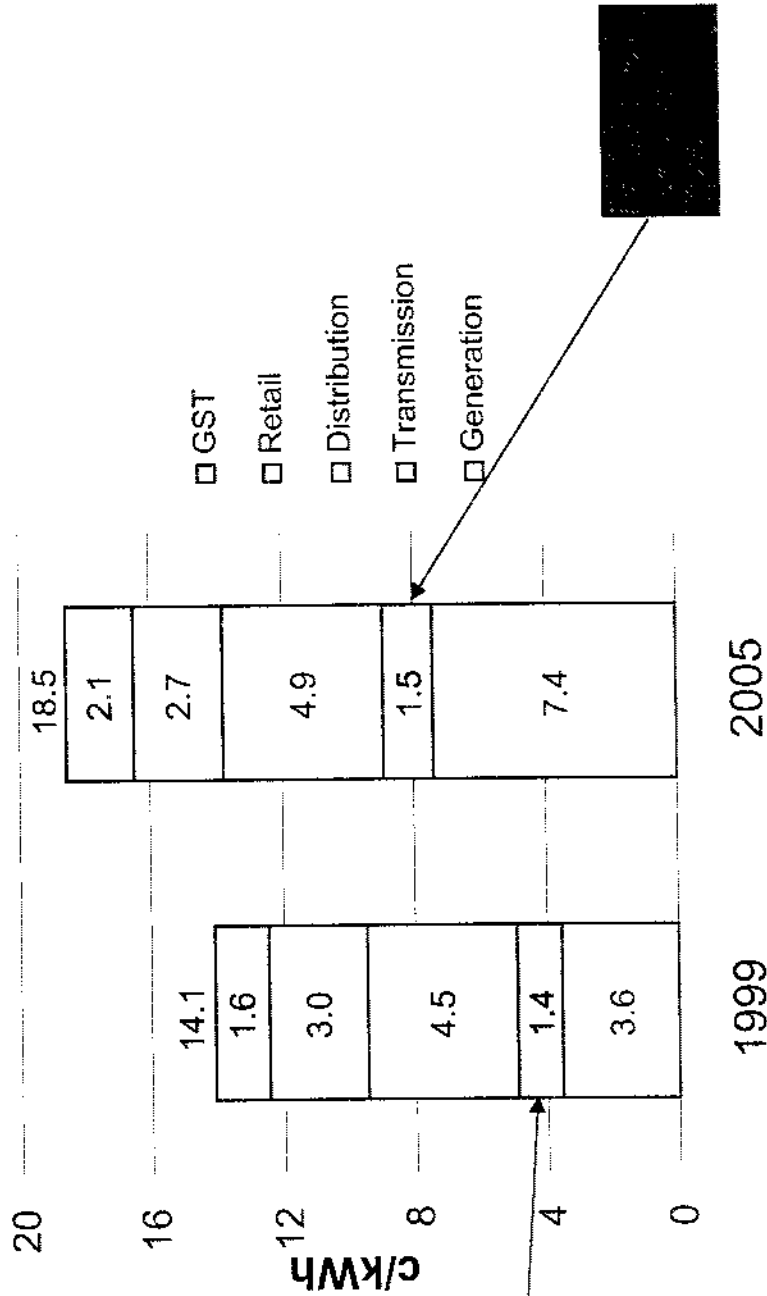
Dr Ralph Craven  
CEO

Transpower



# Transmission – great value for money

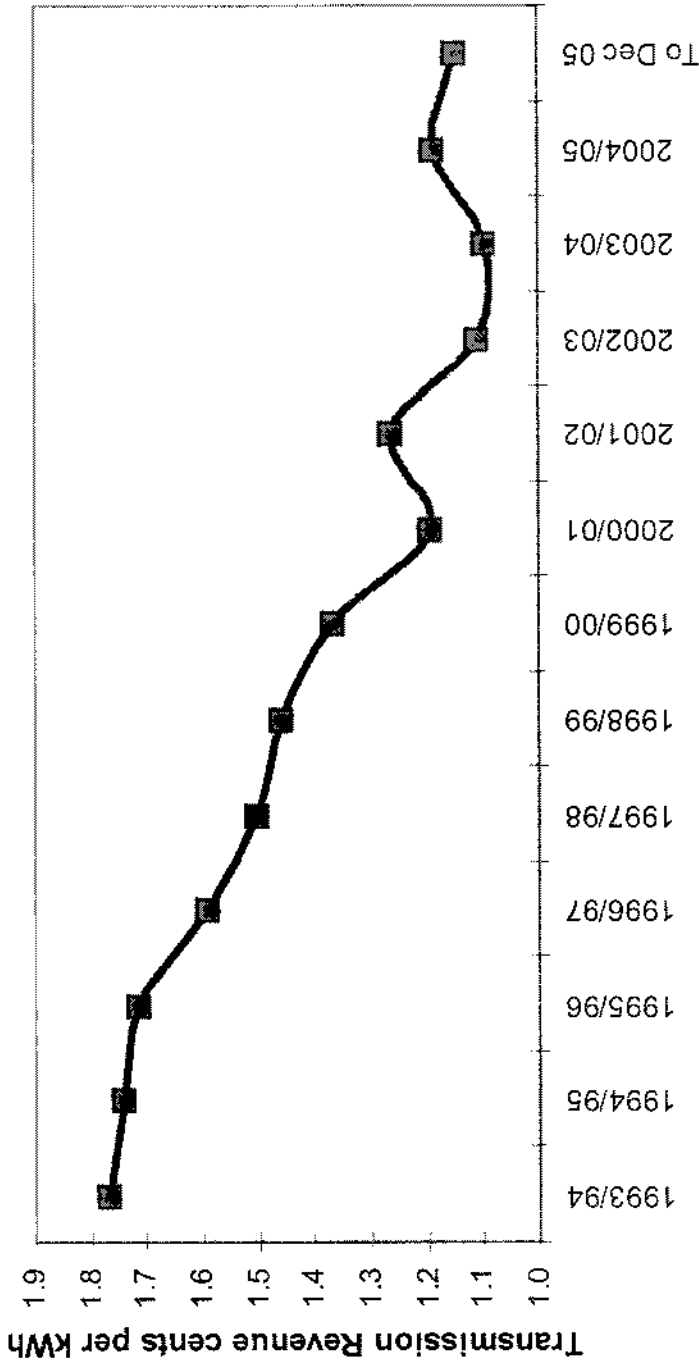
A typical domestic consumer's bill -  
1999 compared to 2005



Source: Breakdowns based on calculations by TWS Consulting and Transpower, February 2004, revised in October 2005 against average medium domestic consumer prices published by the MED.

# Transmission – great value for money

Average Transmission cost  
(1999 dollars)



Transmission Price (Revenue divided by Electricity Transmitted)


\*Transmission price derived from Transpower's actual revenue divided by actual electricity transmitted converted into 1999 \$s, using the All Group CPI less GST deflator in the MED Energy Datafile Table I.13.

# Commerce Commission Intention to Declare Control

- Transpower has self-reported breaches of the CPI-1 threshold for each of the last three years
- The CC began an inquiry in Jan 2005
- Transpower announced a further price increase of 19% in November 2005 (from 1 April 2006)
- CC “reacted” by issuing a Notice of Intention to Declare Price Control (NOITDC)

# Timetable

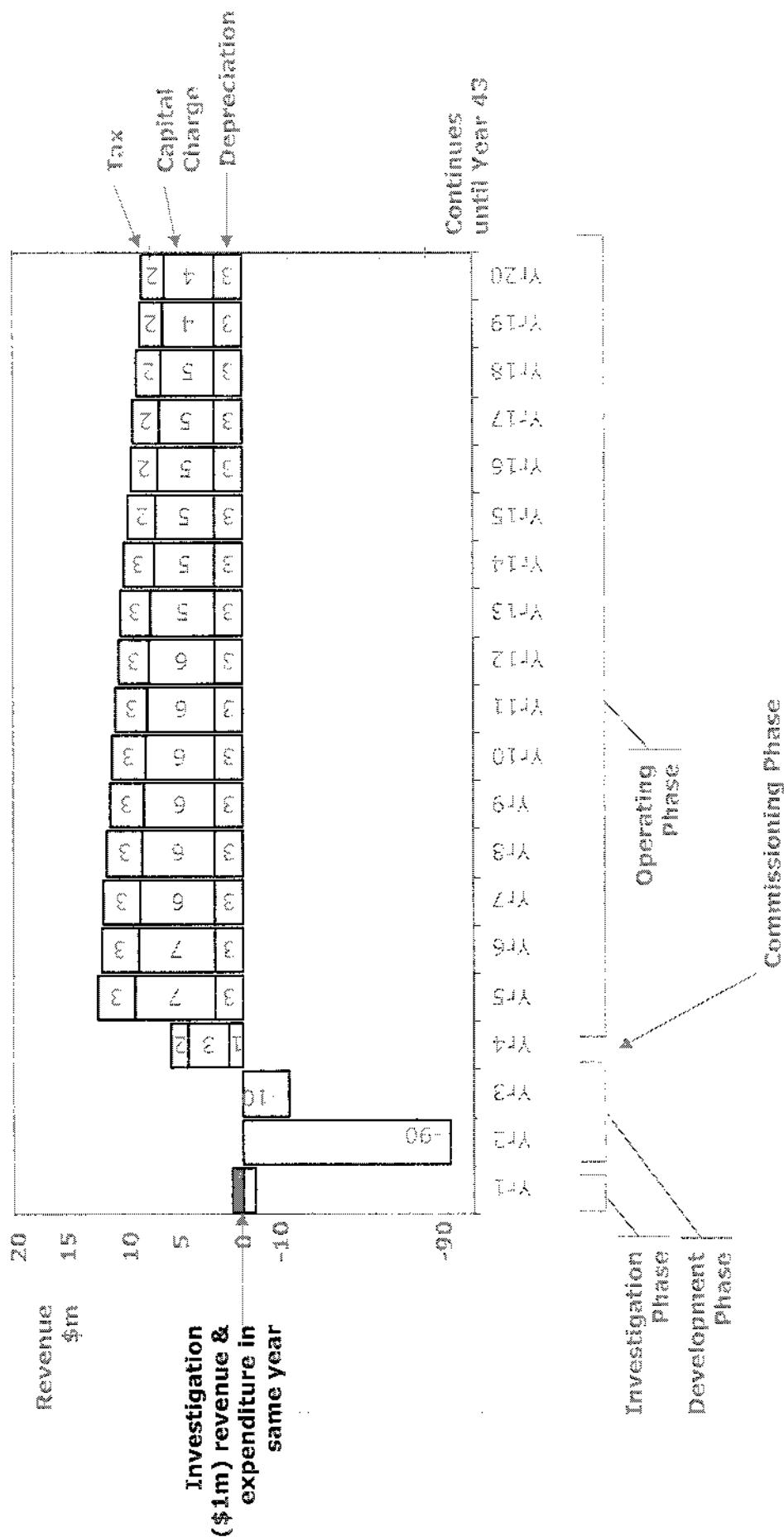
23 Dec 2005	CC announcement of NOITDC
31 Jan 2006	CC published reasons document
27 February	Transpower (and others) make submissions
13 March	Transpower (and others) make "cross" submissions
31 March	CC decides whether to control TP prices



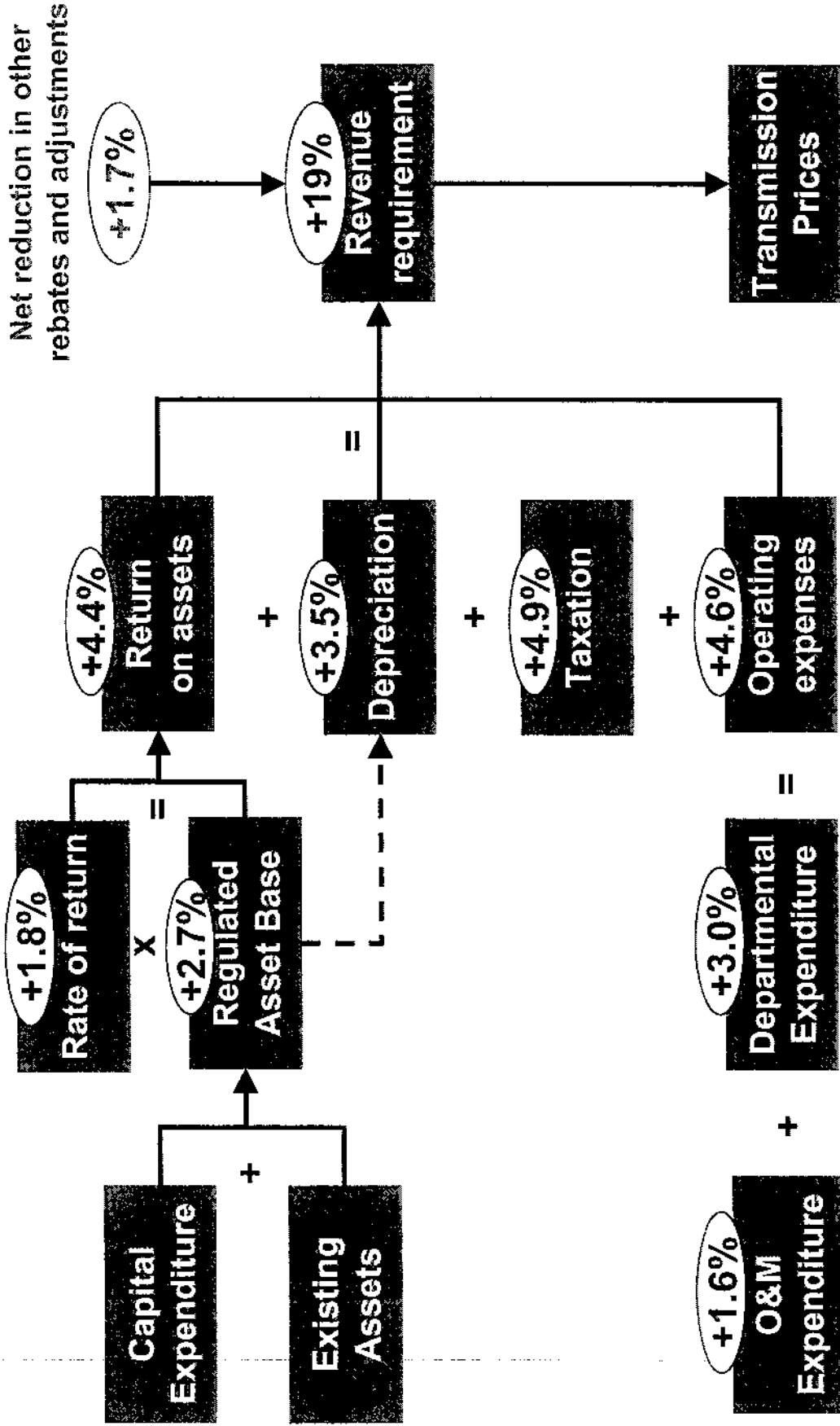
# What is Transpower's response?

- Excess profits have not been earned
  - the CC has not done any analysis to justify this claim
- No impact on investment efficiency from CC action
  - It is the EC that approves investment
- No pre-funding of investment
  - price increases are not to pay for future investment

# Example of Revenue Recovery for a \$100m Capital Project (40 year life)



# Building-blocks for setting revenue



# What happens next?

- CC decides to impose price control
  - Prices controlled at some “lower” level
  - CC does further analysis
  - Possibility of Transpower seeking judicial review of CC
- Or, CC accepts Transpower’s submission
  - CC continues its analysis
  - 19% price increase maintained in the meantime
- Or, some negotiated position between Transpower and the CC

## What would price control mean?

- Transpower loses control of key commercial decisions
- Impacts on Transpower's financial position and/or ability to undertake its work programme
- Difficult decisions for the Board and Executive, and probably also the Government

# Meeting Auckland and Northland's Electricity Needs

- 2003: Studies confirmed security of supply problems from 2010
- October 2004: Consultation began on a proposed 400 kV double circuit line between Whakamaru and Otahuhu
- May 2005: Submitted plan to Electricity Commission
- July 2005: Confirmed route
- January 2006: confirmed alignment
  - 297 landowners, 430 towers

# Transpower's 400kV and the alternatives

EC has issued a “short short list” of alternatives to Transpower's proposed 400 kV line in 2010

**T1**– duplex the WKM-OTA 220kV A and B lines, then install **400kV** between WKM and OTA in **2021**.

**T2**– install **220kV** between WKM and OTA in **2017**.

**T3**– install **HVDC** between WKM and OTA in **2017**.

**T4**– install **400kV** between WKM and OTA in **2017**.

All four alternatives require the thermal uprating of the WKM-OTA 220 kV A and B lines and establishment of Huntly East substation, which Transpower is also proposing.

**All four alternatives require a new route between Otahuhu and Whakamaru.**

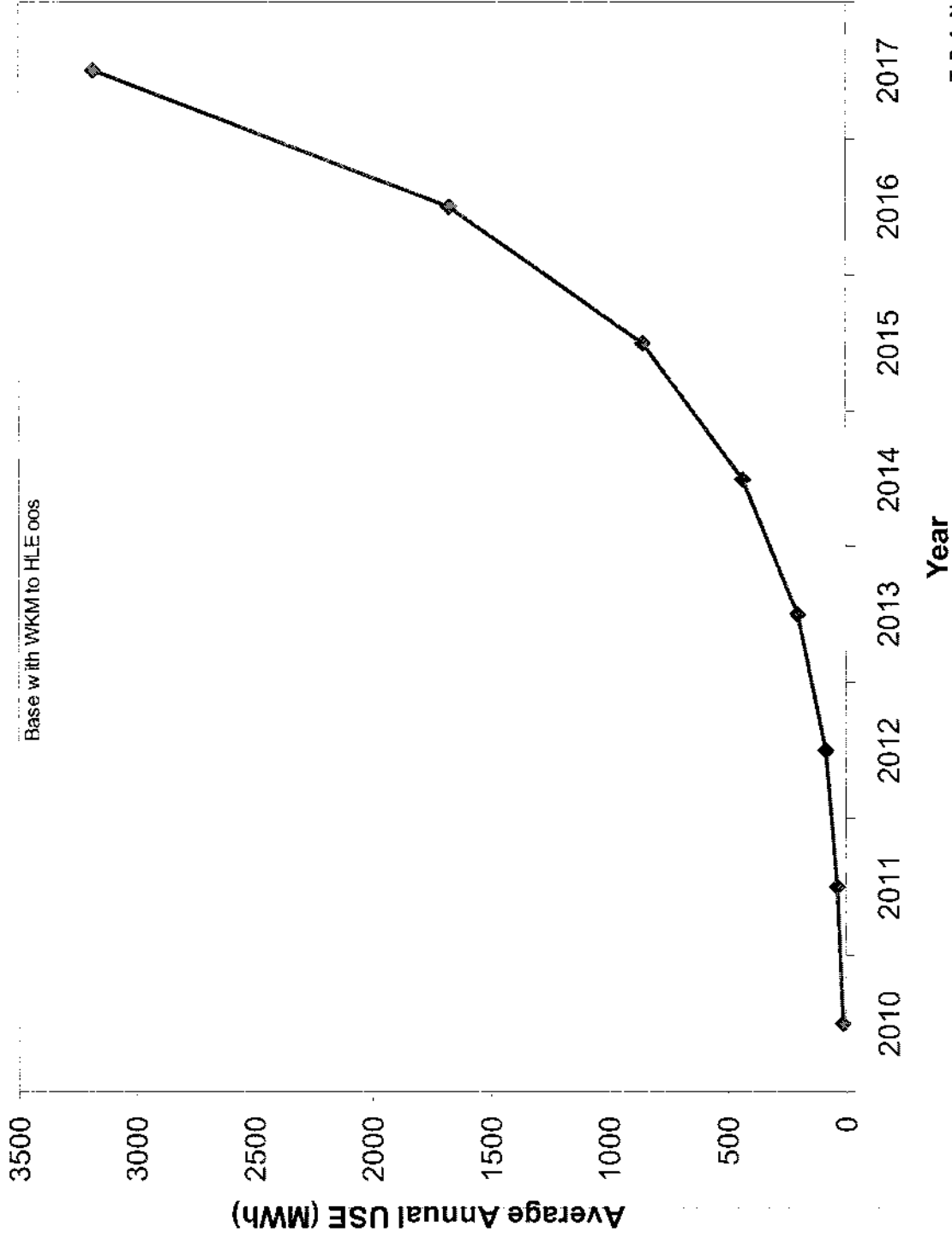
# Is 400 kV in 2010 the right answer?

- Yes, it is in accord with Good Electricity Industry Practice
- Yes, it supports market competition and averts regional market power
- Yes, it enables renewable generation to reach its full potential
- Yes, much lower transmission losses from 2010
- Yes, it provides certainty, reliability and security

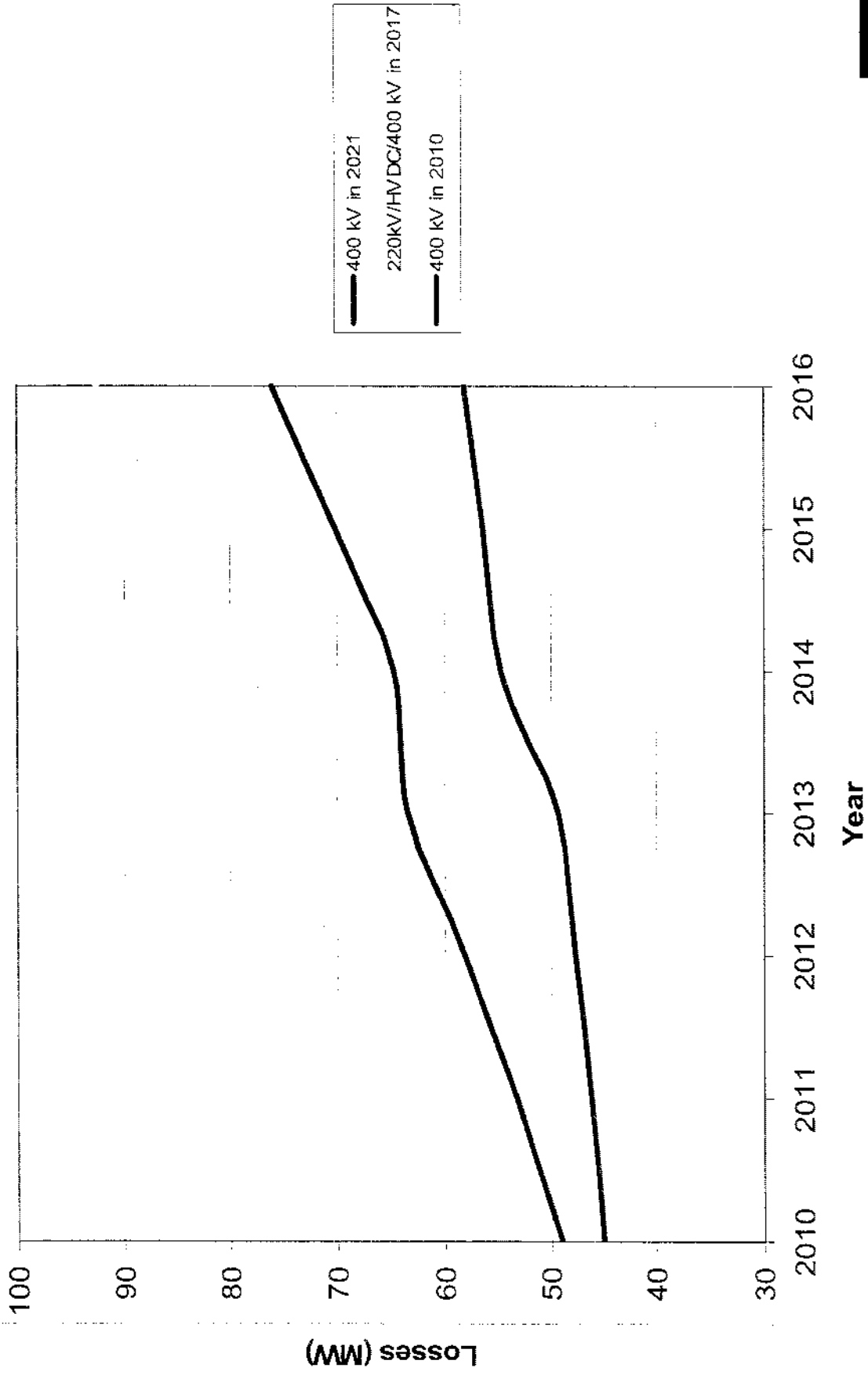
## **Delay until 2017 – the issues**

- 2017 means accepting lower reliability
  - Requires greater tolerance for risk
- Does not enable “reasonable and prudent” operation
- Whenever a major element (Otahuhu CCGT or transmission line) is out of service, inter-trips may need to be enabled
  - This means planning to shed load

# Unserved energy risk



# Transmission losses



# Approval Timetable

- Interim decision further delayed until end April 2006
- Final decision delayed until July
- EC has to say Yes, or No
- If EC does say no, it cannot direct Transpower as to what should be done instead
- Transpower will not resubmit an alternative plan that it believes to be inferior

# Otahuhu-Henderson 220 kV uprating

- Line supplies northern parts of Auckland, North Shore and Northland
- Transpower seeking to increase baseline rating of 750 MVA per circuit
  - Work is low cost, low impact and provides a >30% increase in capacity
  - Allows deferral of major cable project by up to seven years, conservative benefits are around \$60M.
- Common sense project that is struggling because of:
  - Auckland CC - 2 years and still no decision (permitted activity Manukau and Waitakere CCs)
  - “Tower 31” – gone to Environment Court for definition of “injurious effect”
- Circuit ratings could be reached this winter so automatic load shedding scheme will be installed
  - Up to 6000 households could lose their supply if a fault occurs at peak time

# Conclusion

- Transpower wants a regulator for its investments
  - Must be reasonable and appropriate
- Transpower wants a regulator for its prices
  - Must be forward looking and allow for necessary investments to be made
- Auckland needs a strong electricity grid
- The risk of investing too late is many times greater than the risk of investing too early

think  
beyond the  
switch



TRANSPower

Transpower New Zealand Ltd • The National Grid

# STOCKTAKE OF AUCKLAND POLICY WORKSTREAMS (AS AT 16 MARCH 2006)

Note: Includes Auckland-specific issues and national issues that have concentrated impacts in Auckland. Excludes regional or local government initiatives that do not involve central government policy decisions or risk.

EXTERNAL

Issue	LG	Description	Lead	State-of-play	Linkages / implications
<b>Strategic direction</b>					
1	Economic Transformation: Auckland	Economic Transformation sub-theme: Priorities, actions and governance aimed at transforming Auckland into a 'world class city' over the long term.	DPMC / MED	Background paper being prepared (MED lead).	Decisions will inform central government input into other initiatives, incl. Long Term Framework [2] and Metro Project [21].
2	Long Term Framework (LTF)	Establish a long term, overarching strategic direction for Auckland, as context for other regional strategies	Local govt CEs	LTF-prototype drafted – well received by CEs. Next step: Advance specific work programmes around identified themes.	If agreed, could potentially shape strategic priorities across Auckland issues including growth [3], economic devt [19], facilities [18], water [1]
3	Review of Regional Growth Strategy	Review of the Regional Growth Strategy to reflect recent data and changing drivers	ARC	Scoping work will be affected by decisions about Long Term Framework (e.g. whether focus is high level vs. land-use)	Has legislative implications for Regional Policy Statement and District Plans (LGAA 2004).
4	Dep Secs Group: Central/local govt strategic issues	Addressing issues and opportunities for aligning central and local government outcomes in the Auckland region	DPMC	Subgroup meets with Auckland CEs on 31 March – canvass issues and options. Report back to full DepSecs on 27 April.	Key links to Economic Transformation: Auckland [1], Long Term Framework [2], and Growth Strategy review [3].
5	Non-government initiatives	C'ttee for Auckland is developing "The Case For Auckland"; GIAB is focussed on developing Auckland "vision".	GIAB / CFA	C'ttee For Auckland has developed a phased "Auckland Agenda"; GIAB is developing a value proposition re why Auckland matters for NZ	Potentially key links to all strategic statements including Long Term Framework [2], growth [3], econ devt [19], facilities [18], water [16] transport, [1].
<b>Sustainable development</b>					
6	Sustainable Cities /Successful Cities	Part of SDPoA, Auckland focus. Workstreams: Child and youth; migrant settlement; urban form; transport;	MfE	Proposal for successor programme "Successful Cities" has been drafted – for DepSecs (April). Aim: better integration of existing urban initiatives	Key links to Economic Transformation: Auckland [1], Urban Design Protocol (MfE) and DepSecs Group [4].
7	Managing regional growth pressures	Identification of key growth pressures by region incl. Auckland, and adequacy of strategic planning to manage them	MED	Project complete. Report to CG/LG Forum (March) being drafted. Key issue: Co-ord of multiple strategies across multiple TAs	Possible links to AREDS [19] and FORST-funded Local Futures Project (strategic focus of local authorities).
8	Air quality	Implications of implementing the National Environmental Standard for Air Quality (AQNES).	ARC / MoT	Vehicle emissions may mean AQNES is exceeded, resulting in potentially significant economic impacts (consents refused/withdrawn).	Links to sustainable cities [6], business location strategy and transport strategy.
9	Built environment	Weatheright Homes Resolution Service : Issues relating to weatherightness in Auckland region	DBH	CBC last week approved further work on enhancing the WHRS to improve resolution throughput.	Legal proceedings are in progress seeking to join BIA as a defendant.
		Waterfront development : Planning for Auckland's waterfront (CBD / Waitemata harbour interface)	ARC / ACC	Cab paper due end March proposing last-resort (but prudential) financial loan assistance for repairs while claims are going through WHRS. ACC must notify district plan change by 31 May – submissions due 17 Mar. Key issue: Long-term development vs. ARC revenue stream.	Links to transport funding [12] and review of local government funding [30].

10	Waitakere Ranges National Heritage Bill (Local Bill)	Legislation to provide special protection for the Waitakere Ranges and foothills area	WCC / ARC / RDC	Bill introduced, sent to Select Committee	Links to Auckland provisions of Local Government Act [31]. Potential implications for RMA.
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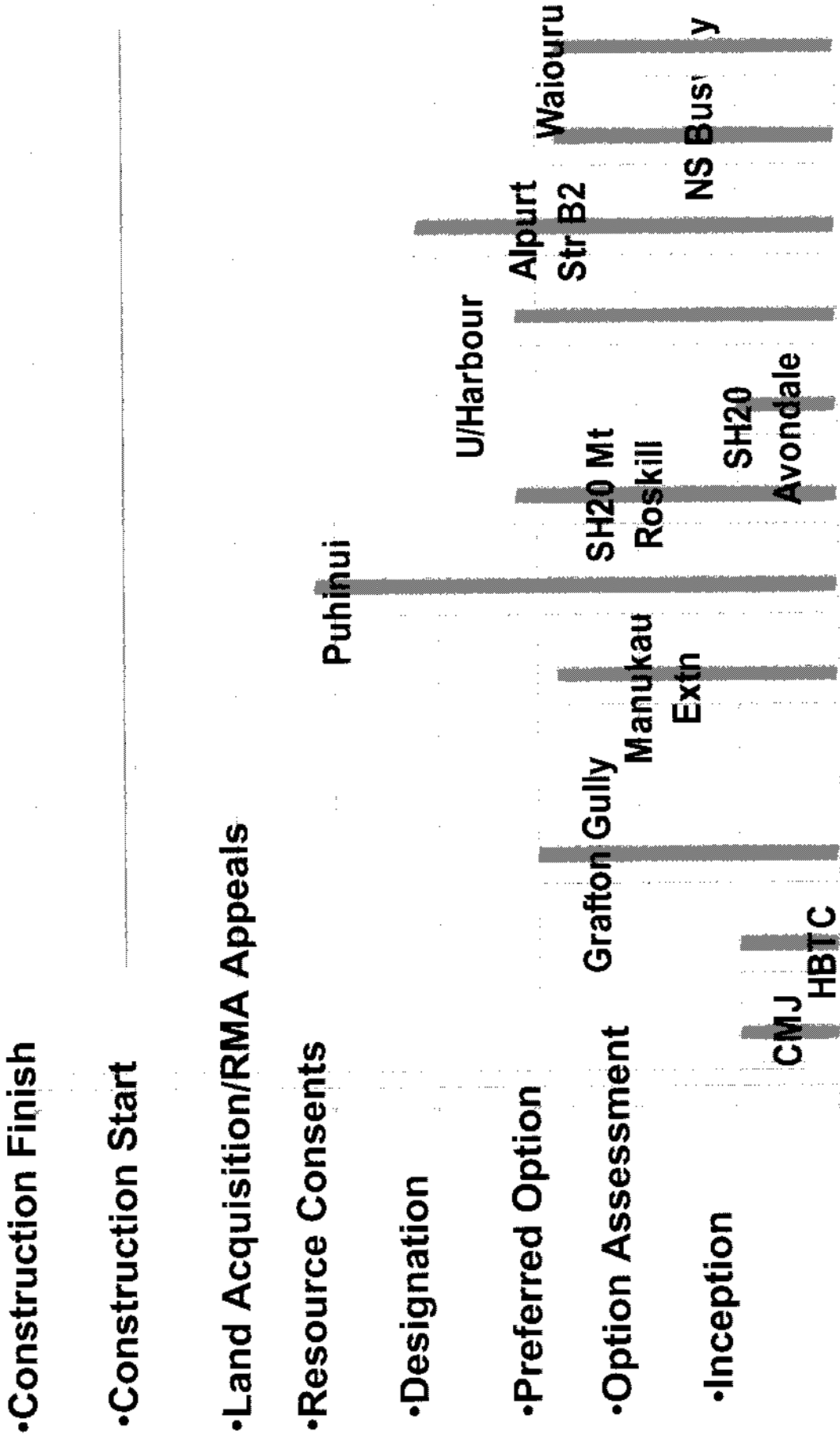
Infrastructure: Transport	
11	<p>Road charging</p> <p><i>Alpurt B2</i> : Decision to accelerate the project (i.e. bring into 10 year programme) by use of toll financing</p> <p><i>Western Ring Route</i> : Options for tolling SH20 in order to advance project / meet funding shortfall.</p> <p><i>Road pricing</i> : Feasibility and desirability of introducing congestion pricing on (some) existing roads in Auckland region</p> <p>Implementation of the Auckland transport package</p> <p>Negotiations between ARC and ARTNL's owners: Aim is to integrate ARTNL's activities into new Auckland transport arrangements.</p> <p><i>Core upgrade</i> : Double tracking of Western Line; Newmarket upgrade; Manukau link; possible electrification.</p> <p><i>Funding and governance</i> : Options to better align funding, risk and control in Auckland rail upgrade projects.</p> <p>Review of legislation (Transport Services Licensing Act) and practice guidelines.</p>
12	<p>Transport governance and funding</p> <p>Approved as toll road. Next step: Final design of toll system (June 2006).</p> <p>Consultation paper drafted – on hold pending feasibility of tolling under current legislation.</p> <p>Release Evaluation Study for public consultation at Mayoral Forum on 17 Mar. Next steps: June – final decision, incl. social impacts, governance, etc.; July – intro legislation. ARC has identified significant transport "funding gap"; proposes joint central / local work to address problem.</p> <p>Negotiations on track for completion Q2 2006.</p> <p>Electrification, CBD loop not short-term priorities for government funding. ARTA business case re electrification expected shortly. New policy: Crown (ONTRACK) resp. for all "below-track"; region (ARTA) for all "above-track". Implementation in progress.</p> <p>Legislative and practice review in progress. Consultation document due for release April. Key issues: Value for money; effective competition.</p>
13	<p>ARTNL</p> <p>Links to Auckland transport governance [12] and rail project [14].</p>
14	<p>Passenger rail</p> <p>Links to Auckland transport [12]. Replacing/upgrading rolling stock is subject to decision re electrification. Links to Auckland transport [12] and core upgrade project [14].</p>
15	<p>Passenger transport procurement</p> <p>Links to Auckland transport governance [12].</p>
Infrastructure: Other	
16	<p>Water industry (water supply, waste water, stormwater)</p> <p>Watercare is proposing: – remove require't to price waste/water separately – ability to pay dividend – council-controlled organisation status In progress.</p> <p>Links to Akl provisions of Local Government Act [30]. Impact on rates links to local government funding [30].</p> <p>Implications for review of Auckland provisions of Local Government Act [31]. Also potentially governance of regional infrastructure.</p>
17	<p>Energy supply and transmission</p> <p>Issues paper re ARC role in energy management drafted</p> <p>ARC yet to determine if this is an area it will engage in, and if so what its role would be.</p>

18	Regional facilities	Y	Consideration of regional facilities needed to make Auckland a "world-class city"	C'ttee for AKI / AKI City Council	Proposal for national convention/ exhibition centre – government funding requested.	Needs wider strategic context – prioritise against other proposals (e.g. Eden Park, national stadium, art gallery, underground rail, orchestra, etc.)
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Economic development						
19	Regional Economic Development Strategy (AREDS)	Y	Implementation of AREDS, including delivery of Auckland projects under the Regional Partnerships Programme.	ARC / Forum	ARC has established Economic Development Forum to oversee AREDS. "Metro Project" [21] underway to develop more detailed action plans. ARC working on single facilitation point for investment.	Links to Economic Transformation: Auckland [1], Long Term Framework [2], Growth Strategy [3], Metro Project [20], and review of Auckland provisions of the Local Government Act [31].
20	Economic and urban development		Joint central government programme aimed at advancing Auckland's economic and urban development	MED / DoL / MoT/Mf	Draft work programme prepared, consultation now in progress.	Economic transformation: Auckland [1] will influence final work programme.
21	Metropolitan Auckland Project	Y	Benchmarking of Auckland's economic performance against other international cities by international experts.	ARC	In progress. Timeline – 1-5 May: International experts in Auckland; 4 May: Symposium (business, industry, community) July: Action plans / work programme for Forum	Expected to set future direction for AREDS [19] and Economic Development Agencies in the region.
22	Urban Centres Project		Research into how urban economies function and their role in national/regional economies, with particular focus on Auckland.	MED	Phase 1: Stocktake of Auckland economy – expected completion end-March. Phase 2: Frameworks for urban development – not yet scoped	Feeds into Metro Project [20] and is part of Sustainable / Successful Cities programme [6]
23	Economic impact of immigration	Y	Auckland component of a national study	DoL	Currently scoping research questions.	Implications for Regional Growth Strategy [3] and regional labour market strategy.
Social policy						
24	Education		ECE: Demand from 20 free hours policy (starting July 2007) will put pressure on capacity. ECE teacher registration targets may put pressure on teacher supply in the short to medium term. Schools: Additional capacity needed to match Auckland's growth.	MoE	Teacher supply initiatives to increase qualified teacher numbers are beginning to have an effect. MoE is continuing to review progress towards meeting targets, number of scholarships needed, and other policy settings. Site purchases are on-going. Will be reflected through the annual property business cases.	Needs to be closely linked to councils' urban planning, transport planning, migration forecasts. Needs to be closely linked to councils' urban planning, transport planning, migration forecasts.
25	Housing		Affordability: Risk: Housing is increasingly unaffordable for migrants / low \$ families, contributing to /t poverty Provision of social housing : Approx. 2400 additional state houses in Aki planned over next 3 years	HNZC	NZ Housing Strategy agreed, launched May. Sets out increases to state houses in high demand areas, review of Accommodation Supplement, and exploration of new models of social housing. Use of land in Papakura, Hobsonville (ex-Defence), and Weymouth (ex-CYFS), being considered for affordable housing. Hobsonville land management company (HNZC subsidiary) established.	Links to provision of social housing [25] and to urban design stream of Sustainable Cities [6]. Links to affordability [25]
26	Labour		Auckland Regional Settlement Strategy : Improving settlement outcomes for migrants and refugees in the region.	DoL	A draft strategy has been developed – currently being reviewed by central government agencies.	Links to employment, health, education issues.

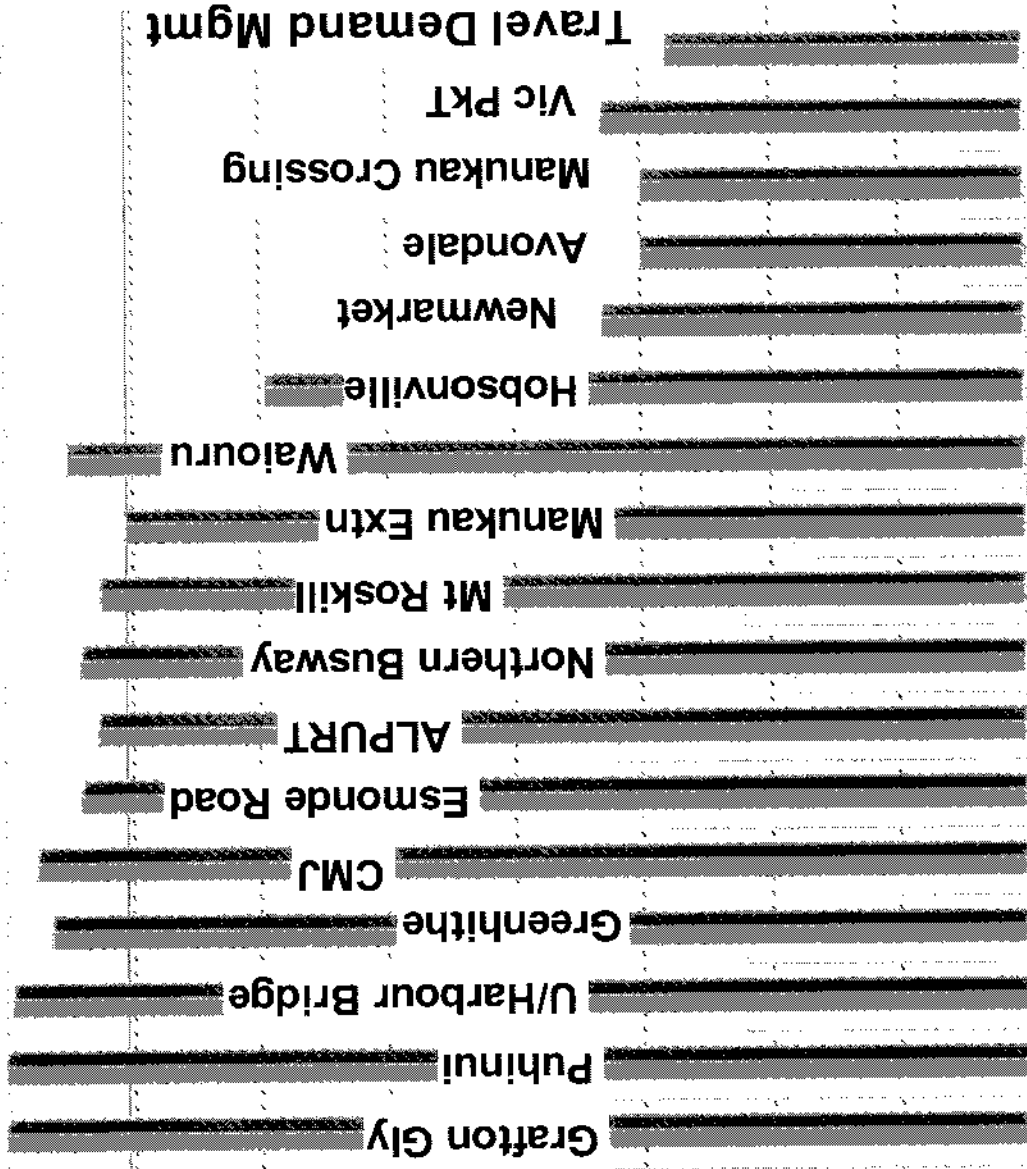
27	Youth	Youth gangs: Addressing concerns relating to an increase in youth gangs and associated violent assaults in South Auckland, culminating in a murder in Flatbush in October 2005.	MSD	MSD is leading work in partnership with other government agencies (Education, Justice, Police, CYF) and local government. A number of initiatives have been implemented to de-escalate gang activity and better understand youth gang issues.	Links to employment, health, education issues.
<b>Social policy ctd</b>					
28	Health	Governance and funding: Auckland DHB service reviews, leading to robust 3-year business plans.	MoH / ADHB	Plans aim to (a) address ADHB's underlying deficit and (b) align with the "Live within our means" strategic goal. Range of priority reviews expected to be finished by end of March.	Regional service planning and co-operation will be important in ensuring efficient service levels are provided at individual DHBs
29	Justice	Auckland Women's Prison: New facility in Manukau, 286 beds (max. 350) Police: Replace existing facilities in two hubs (North Shore, Wiri), est. \$30m	C'tions Police	Construction in progress, to be commissioned in April 2006. Opex \$25m p.a. approved. Completion late 2005/early 2006.	Wider context is prison capacity in Auckland region beyond 2007/08.
<b>Regional / local governance</b>					
30	Review of local government funding	Identify pressure and nature of any systemic issues; develop options in respect of any problems identified.	DIA / LGNZ	Phase 2 in progress. Workstreams: Functional case studies; Crown contributions in lieu of rates; regional petrol tax; financial governance; communicating VFM in rates; development levies	Some Auckland councils appear to be facing significant infrastructure-related pressures (e.g. ACC; NSCC); also regulation-driven costs (ARC)
31	Review of Auckland provisions of Local Government Act	Issues include Watercare, Regional Growth Forum, AREDS.	DIA	DIA setting up process for review.	Links to Auckland water / stormwater [16], Project Watershed [16], Regional Growth Strategy [3] and regional facilities [18].
32	Audit of 2006/16 LTCCPs	Audit of first full LTCCPs nationally – required to be adopted 1 July 2006. Includes all Auckland councils.	OAG	Process: (a) risk management (self assessment); (b) actual testing (substantive audit). Currently at business end of process.	Links to review of local government funding [30].

# Where we were Dec 2000



# Where we are now (March 06)

- Construction Finish
- Construction Start
- Land Acquisition/  
RMA Appeals
- Resource Consents
- Designation
- Preferred Option
- Option Assessment  
& LTMA review
- Inception



# Auckland Projects

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# Preliminary List of RFTs for Professional Services to be Issued for Block projects to June 2006

Region	Highway	Project	Project phases included in Professional Services Contract			Month
			Investigation	Design	Supervision	
Ak	SH16	Woodhill Park Rd southbound and northbound, Joyce Adams to Berry Bridge, passing lanes & Wharehine Rd curve realignment	✓	✓	✓	Awarded
Ak	SH1	Waitaire, Mangawhai Rd & Sheepworld passing lanes	✓	✓	✓	Awarded
Ak	SH16	Taupaki Rd/Old North Rd intersection upgrade and Old Railway Road Eastbound Passing Lane	✓	To follow	To follow	Awarded
Ak	SH20	Roscommon Road/Wiri Station Road Intersection	Separate contract awarded	✓	✓	Awarded
Ak	SH22	Wesley College Passing lane	✓	✓	✓	Awarded
Ak	SH1	Orewa Township	✓	✓	✓	TBC

# Preliminary List of RFTs for Professional Services to be Issued for Block projects to June 2006 Continued

Region	Highway	Project	Project phases included in Professional Services Contract			Month
			Investigation	Design	Supervision	
AK	SH1	Silverdale Intersection	✓	✓	✓	TBC
AK	SH1	Drury Interchange traffic signals	✓	To follow	To follow	Mar 06
AK	SH1	Ellerslie Southbound off-ramp slip lane	✓	To follow	To follow	Mar 06
AK	SH1	East Tamaki to Te Irirangi Northbound Bus Priority Lane (BPL)	Separate contract Awarded	✓	✓	TBC
AK	SH16	Whau Bridge to Patiki Rd off-ramp citybound BPL	Separate contract Awarded	✓	✓	Mar 06

# Preliminary List of RFTs for Professional Services to be Issued for Block projects to June 2006 Continued

Region	Highway	Project	Project phases included in Professional Services Contract			Month
			Investigation	Design	Supervision	
AK	SH1 & 16	Southern/Northern and Northwestern Motorways lighting safety retrofit	✓	✓	✓	Awarded
AK	SH16	Quay St to Ronayne Upgrade	✓	To follow	To follow	Negotiation in progress
AK	SH16	Waitangi Bridge to Basil Orr Seal widening	✓	✓	✓	Awarded
AK	22	Glenbrook Rd Intersection	✓	To follow	To follow	Awarded
AK	16	Don Buck Rd to Brigham Creek Safety Improvements	✓	✓	✓	Negotiation in progress
AK	1	Toovey Rd Southbound passing lane	✓	✓	✓	Awarded
AK	1	Hoteo River southbound passing lane	✓	✓	✓	Negotiation in progress

# Preliminary List of RFTs for Professional Services to be Issued for Block projects to June 2006 Continued

Region	Highway	Project	Project phases included in Professional Services Contract			Month
			Investigation	Design	Supervision	
Nthld	SH10	Kaingaroa safety improvements	Separate contract awarded	✓	✓	Awarded
Nthld	SH1	Mangakaremea Rd to Waipua Gorge Rd safety improvements	✓	To follow		Awarded
Nthld	SH1	Springfield Rd to Oakleigh Service Station safety improvements	✓	To follow		Awarded
Nthld	SH1	Loop Road to Smeatons Hill Safety Improvements	Separate contract Awarded	✓	✓	June 06
Nthld	SH10	Puketona intersection improvement	✓	✓	✓	Initiation to tender issued
Nthld	SH1	Callaghan Rd NthBd & SouthBd passing lanes	✓	✓	✓	Awarded