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Transpower
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Reviewing the settings of the Connections Management Framework

Meridian welcomes the opportunity to comment on Transpower's consultation document reviewing the settings of the Connections Management Framework (CMF). We are grateful that Transpower has followed through on the commitment to review the CMF after its first 12 months of operation.

Meridian's submission comments on the changes that Transpower has proposed and raises additional options for further consideration. Our high-level comments are set out below under the following headings:

- Increase the resourcing of Transpower's new connection functions;
- Transmission connections are at risk of becoming a bottle-neck for generation developers;
- The incentives created by the current CMF; and
- Changes should increase developer understanding of how the CMF operates and enable greater flexibility where appropriate.

Responses to Transpower's specific consultation questions are appended.

Increase the resourcing of Transpower's new connection functions.

Meridian understands that the number of new connection enquiries has sharply increased, and that management of those enquiries will be challenging for Transpower. In Meridian's opinion, this is largely an internal resourcing question for Transpower. The priority should

be the expansion of the resources at Transpower's disposal to manage the increased enquiry volume. Transpower's costs in providing this service are recovered from customers wishing to connect so funding should not be an issue. The only likely constraint is access to suitably qualified staff and consultants to process connection enquiries. From the customer's perspective it would be far preferable for Transpower to increase its capacity to process connection enquiries rather than require some work to be deprioritised due to a lack of resources.

Meridian's comments are grounded in our belief that competition between generation developers will deliver the most efficient investment and ensure the timely delivery of generation projects for the greatest benefit to consumers. Transpower's internal resourcing decisions should not distort that competitive dynamic. Ideally all enquiries would be progressed with equal urgency and no need for prioritisation of resources. This would ensure the right incentive is in place for developers to get projects ready to execute rapidly, which is what Aotearoa needs if we are to achieve our emissions objectives and transition to a highly renewable future.

As we said in our submission on the initial queue management proposal in 2022, the principle of open access to the national grid should remain central and competitive forces should guide generation investment, not a Transpower queue management process.

However, we acknowledge that such idealised Transpower resourcing for grid connection enquiries may be unrealistic, and we have therefore made comments that seek to improve the CMF on the assumption that some queue system and prioritisation of resources is likely to remain necessary. This does not alter our fundamental belief that this is a Transpower resource constraint issue that could be overcome through additional resourcing.

Transmission connections are at risk of becoming a bottle-neck for generation developers

Despite Transpower's rebranding of the connection queue as a Connections Management Framework, it remains a queue in practice. In Meridian's experience, we estimate that it takes approximately two years on average from lodgment of an application to commencement of an investigation.

Meridian's preference would be for a process that allows development of a suite of generation options that are ready to go with final investment decisions (FID) and

construction approval from Meridian's Board then being made for projects that look best economically as market conditions evolve over time.

The rigidity of the CMF instead takes timing out of the control of generation developers and makes all timeframes subject to Transpower's timeframes. How best to schedule development tasks, commit resources, and enter agreements to efficiently bring a generation option to market are strategic decisions that developers are well placed to make. For example, potential generation investors are weighing up a number of sites and the business cases for each must consider a range of factors, project management, and timeframes to secure matters such as:

- access to land;
- resource consents;
- contracts for civil works;
- contracts for building works;
- contracts for electrical works;
- supply contracts for the relevant generation technology e.g. turbine supply agreements with a manufacturer;
- arrangements for operating and maintenance of the completed asset; and
- grid connection.

The CMF means that all other project timeframes and deliverables must be aligned with the expected timeframes for Transpower to progress a project to the delivery stage under a Transpower Works Agreement (TWA). While this understandably makes life easy for Transpower, it does not necessarily result in best projects being built and means developers have incentives to try to ensure that all other matters fall into line in the timeframes determined by Transpower's process, which will not always be possible.

The incentives created by the current CMF

Attempting to make all aspects of development planning and sequencing subservient to the transmission CMF creates some unusual incentives. Generation developers must play a game where they attempt to anticipate in advance when a project might be ready for execution of a TWA and then work back from that date to estimate the best time to lodge an application with Transpower so the project gets to the front of the CMF queue at the right time for alignment with the rest of the project's design and construction contracts. If a project progresses through the queue:

- *faster than expected*, the developer may not be ready to meet certain hurdles or stage gates, risking Transpower pushing the project to the back of the queue and incurring significant delays.
- *slower than expected*, then a developer will be ready and waiting on a Transpower bottle-neck.

A developer's ability to perfectly time getting to the front of the queue to align with other project milestones, is hampered by a range of uncertainties. Many of the suggestions below are intended to help developers better understand the CMF and timeframes involved.

Changes should increase developer understanding of how the CMF operates and enable greater flexibility when appropriate

Increased process certainty

To help developers better understand the CMF, Meridian suggests that Transpower considers the following:

- **Create a single document that sets out authoritatively the complete CMF process**, requirements at each stage, the extent of any Transpower discretion or pragmatism at each stage, costs, terms, and applicable timeframes. Currently, relevant information on the CMF is spread across a range of documents.¹
- The above document could usefully **include a detailed flowchart** showing, for example, the timeframes and costs of each stage, and the various stages at which a project could go to the back of the queue if certain requirements are not met. Currently, it is not entirely clear to Meridian as to all the stage gates, the amount of time available, and the cost impact.
- The above process document should also **clarify when a project will go to the back of the queue or when fees will be foregone**. It should also be made clearer when a developer has a choice between these consequences of not meeting a stage gate. In Meridian's opinion, it may also be worthwhile Transpower considering

¹ [Connection Management Framework Decision Document](#) (3/11/2022); [Connections Management Framework Process Slide Pack](#) (V1.0 - 3/11/2022); [Generation and Storage Connection Application Form](#) (V1.0 - 1/11/2022); [Application Form Guidance Notes](#) (V2.0 - 12/1/2023).

allowing developers to demote their projects in the queue (i.e. allow others to go ahead and allow Transpower resource to be more appropriately allocated) in situations where other project inputs do not look on track to be delivered around the time a project is expected to reach the front of the queue.

- The above document should also **clarify the timeframes required or expected by Transpower between conclusion of an investigation and execution of a TWA** as well as the repercussions if those timeframes are not met, i.e. whether a project that took slightly longer to execute a TWA could be bumped to the back of the queue. Meridian understands that Transpower's starting point may be to allow six months to TWA. In Meridian's opinion this would be challenging (particularly for larger investments or more complex projects with numerous other contracts) and it would be more suitable to allow six months from once TWA terms are broadly agreed (rather than from end of investigation) to the date of TWA execution and also allow greater flexibility and pragmatism at this late stage in a project. There are various contracts to agree when a final investment decision is made by the Board, i.e. the TWA is one of many contracts. It can be time consuming to negotiate final prices and terms across all of these agreements and before seeking Board commitment to an investment. While our best efforts are made to line everything up, the large number of variables can lead to delays. Transpower having a time limit on signing the TWA could put at risk a perfectly good renewable generation project that a developer is progressing as quickly as possible. Being pushed to the back of the CMF would cause significant delays and slow the speed at which generation is brought to market, costing consumers in the long term. Moreover, the amount of internal resource, consultant time, and capital investment in design and contracting ahead of a final investment decision is significant and uncertainty regarding the risk that the TWA could be withdrawn creates a potential barrier to progress. Meridian urges increased process certainty at this stage of the CMF and encourages a higher degree of flexibility from Transpower as there will be evidence a developer can provide of the seriousness of their intentions even if TWA is taking longer than Transpower's base expectation.
- The above process document could also usefully **clarify how foregone fees will be treated by Transpower**, i.e. will this be treated as unregulated revenue or would foregone fees be used to defer other costs for the benefit of all developers seeking a new connection.
- **Regularly updating and publishing information** on the following:

- estimated timeframes in practice between lodgment of an application and commencement of an investigation; and
- estimated timeframes from commencement of an investigation to completion of an investigation (which could also usefully differentiate between projects of varying scale and complexity).

Estimated timeframes could be based on a rolling average of actual historic timeframes while also factoring in any step changes in expectations, for example due to changes in Transpower resourcing.

- **Add a unique project identifier number to the CMF spreadsheet** on the Transpower website. The spreadsheet usefully increases transparency, however, it is hard to keep track of projects moving within the queue, such as leaving, entering, or changing expected capacity or connection voltage. A unique identifier would help developers better track projects over time.
- **Publish an online dashboard for formal connection requests** (i.e. where Transpower has received an application) as well as, or instead of, the existing dashboard for all connection enquiries. As Transpower acknowledges, the dashboard of connection enquiries is not quality data, includes double up enquiries from different sources, and enquiries of unknown substance.

Increased flexibility when appropriate

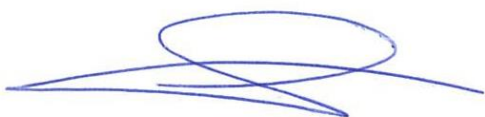
In Meridian’s opinion, Transpower could also consider changes to the CMF to enable more flexibility. However, we acknowledge the trade-off between flexibility and process certainty. Therefore, flexibility should be limited to specific situations and exercised in a set manner.

- Meridian supports Transpower’s proposal to allow flexibility to prioritise projects for reasons including: system need; efficient use of Transpower workforce and resources; and combining projects where this would create efficiencies.
- In addition, Meridian agrees with Transpower’s observation that there may be some frustration amongst developers that more ‘ready’ projects (such as those already consented) or projects that may be considered more beneficial to consumers (for example, types of generation that can support winter peaks) are not prioritised over other projects. Meridian is hopeful that enabling increased flexibility for system need reasons might overcome some of this frustration.

- In Meridian's opinion Transpower could also consider a mechanism for promoting projects up the queue where a developer is so confident of progressing to final investment decision and construction that it is willing to pay the full TWA cost up front. This would meet Transpower's objective of focusing resources to well-developed projects. For projects with a high degree of certainty that can be delivered quickly, a mechanism like this could increase investment certainty and enable Transpower to better enable new renewable generation and the associated emissions and consumer benefits.

Meridian would be happy to discuss the contents of this submission. Please contact us if you have any queries.

Nāku noa, nā



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Appendix: Responses to consultation questions

	Question	Response
1.	Do you agree with the observations we have made after the first year of operation?	In general, yes.
2.	Do you have other observations on the CMF following one year of operation?	See the observations in the body of this submission.
3.	Do you agree with the comments about the assessment criteria and the proposed solutions?	Yes.
4.	Do you have other suggestions that may assist with regard to the criteria?	Not at this stage.
5.	Do you agree with the comments about the application fee and the proposed solutions?	Yes.
6.	Do you have other suggestions related to the application fees?	Not at this stage.
7.	Do you agree with the comments about improving other aspects of the process?	Yes.
8.	Do you have other suggestions for improvements to the process?	See Meridian's suggestions in the body of this submission.
9.	What is your view as to whether Transpower should apply the proposed solutions to projects already in the pipeline?	<p>Proposals that do not have a direct impact on applicants (or have only positive impacts) could be implemented for projects already in the pipeline.</p> <p>However, in principle, Meridian does not think retrospective application of changes to projects already in the pipeline would be reasonable. Applications were made under current process expectations. Changes that could negatively impact a project should therefore only apply to any new</p>

		connection enquiries after the date that any changes are implemented.
10.	Do you agree that we should publish status updates for each project?	Yes.
11.	Is there anything else you would like us to know or consider?	See Meridian's suggestions in the body of this submission.
12.	What could we do to incentivise projects (currently and in the future) which become unlikely to be pursued, to be removed from the queue?	Partial refund of any fees paid. Even a small nominal sum may help to create the right incentive to withdraw projects that are unlikely to be pursued.