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By email: grid.investments@transpower.co.nz

Tararua Major Capex Proposal (MCP)

Executive summary

Meridian is supportive in principle of a coordinated approach to transmission investment to enable renewable generation in the Tararua and Wairarapa region. Our view is that this reflects a credible and material generation pipeline, and emerging constraints on the existing 110 kV network.

Meridian strongly supports core enabling investment in a new 220 kV Bunnythorpe-Woodville line. We consider this to be a priority no-regrets investment that will deliver consumer benefits.

The likelihood of consumer benefits is less certain to Meridian in respect of other options on Transpower's long list. Some long-list options (in particular cabling solutions) are likely to be high cost and difficult to justify. Our view is that it is unlikely that the benefits of these would exceed the costs. Meridian looks forward to further analysis at the shortlist stage on the expected scope, cost, and consumer benefits of other options.

Support for enabling transmission investment

There is a significant and credible pipeline of wind and solar generation investment in the Tararua and Wairarapa region. Material development is expected across the short and medium term. Meridian has 10 projects (wind, solar, and BESS) at various stages of development in this location, approximately 1.3GW of capacity in total.

We also consider there to be a high volume of 'constructable' wind potential throughout the Tararua and Wairarapa region, that is not reflected in current development pipelines. In

particular the area setback east ~20km of the existing 110kV line from Woodville to Masterton. By Meridian's estimate there is a potential further 1.3GW of such capacity.

In addition, there are existing network constraints in the Tararua and Wairarapa region. The 110 kV is already constrained, with increasing reliance on protection schemes and runback. Without upgrades, we expect increased curtailment and reduced efficiency of generation dispatch.

Transmission investment is the primarily solution, to enable generation to connect and export, reduce the curtailment risk and support more efficient system outcomes. Meridian's view is that non-transmission solutions are likely limited to marginal support at best, due to the scale of the requirements.

Investment in a Bunnythorpe – Woodville 220 kV line should be the priority

At this stage, Meridian strongly supports upgrades to the core backbone of the grid, and in particular a new 220kV line from Bunnythorpe to Woodville. Our view is that this is likely to unlock significant generation and address key bottlenecks. We recommend that this is treated as a top priority within the Transpower investigation.

Investment in this new line would address what appears to be the main bottleneck affecting development across the region. In Meridian's opinion this would be a core enabling asset and would likely:

- reduce curtailment risk;
- reduce reliance on protection schemes and runback;
- provide backbone capacity for multiple projects; and
- create a stronger platform for future development.

Wider programme support

Meridian is supportive of the broad concept of coordinated regional investment, given the scale of investment and the potential for programme efficiencies.

Our view is that it is likely that a level of core enabling investment (such as a new Bunnythorpe – Woodville 220kV line) is likely justified now. However, other upgrades may be better assessed incrementally or in stages, as the shape and timing of development becomes clear.

Meridian is not supportive of cables and other high-cost options

Meridian is not supportive of cables options in the long list. Cables are likely to have very high capital costs, difficult fault resolution, reduced flexibility for future upgrades, and poor suitability for multiple or evolving generation connection arrangements. It does not currently appear likely that the benefits of these higher-cost options would exceed the costs.

While it is reasonable for Transpower to include such options at the long-list stage to understand the high-level costs, practical feasibility and key trade-offs of these options, Meridian expects further analysis of costs and benefits will see these options screened out in subsequent stages of the project.

Existing substations vs new GIPs or new connection locations

Transpower has indicated that it is not ruling out the development of existing 110 kV substations to 220 kV, and that this will be weighed against the establishment of new GIPs. Meridian encourages Transpower to do sufficient work to assess the relative merits, constraints and high-level costs of upgrades of this nature.

The choice between existing-site upgrades and new GIPs could have significant implications for total cost, outage complexity and duration (impacting both existing and future generation), future expandability, land and footprint constraints, and could limit the flexibility of future generation connection arrangements.

Our view is that this is a key issue for the shortlist development and should be tested carefully.

Need for stronger system-level analysis

While Meridian is supportive of the overall direction of the MCP, our view is that there is a strong need for robust system-level analysis. Transpower should demonstrate that the preferred pathway is efficient at a whole-of-system level, not just locally.

There are potentially alternative development pathways. More information is needed on details such as power flow analysis, testing of utilisation of proposed assets, and

assurance that the investment does not simply move the constraint elsewhere. We acknowledge that with significant new generation connected, grid stability and system strength issues may also need to be considered alongside the core thermal constraint.

Assumptions to test and refine

While we agree that there is likely to be a large amount of generation investment in the Tararua and Wairarapa region, we encourage Transpower to be as specific as possible regarding the likelihood and timing of upcoming connections. We have appended a table to this submission with information on Meridian projects in the region.

We also think that there is value in scenario testing the demand assumptions used for the proposal, to ensure that these are realistic and not overstated, particularly in the near term.

TPM and cost allocation

As noted, Meridian supports the direction of the MCP. However, we understand that Meridian will bear a share of the costs under the TPM, proportionate to expected benefits. Meridian requests that Transpower provide approximate benefit-based charge allocations as soon as possible in the process to enable parties to better understand the impacts on their business.

Closing remarks

As the proposal is taken towards the short-list stage, our expectation is that Transpower will be able to provide more detail on the following:

- tighter cost estimates;
- a clear distinction between core enabling investments and broader optional upgrades;
- robust system modelling and power flow analysis;
- a transparent basis for excluding high-cost options such as cables; and
- more detail on:
 - existing substation upgrades vs new GIPs
 - protection upgrades
 - the transmission pricing consequences of any preferred pathway.

Meridian welcomes any ongoing engagement with Transpower as the proposal develops, including discussion of preferred connection arrangements and the practical operation of options.

Nāku noa, nā

Evealyn Whittington
Senior Regulatory Specialist

Specific questions

	Question	Meridian response
1	Do you agree with our assessment of the investment need?	Yes, in principle.
2	Are there any other issues or considerations relating to the investment need that we should incorporate into the investigation?	Meridian supports the need in principle, but we consider that the assessment should clearly distinguish between core enabling investments and broader system upgrades for which there is a less obvious need. Care should also be taken to ensure that the MCP does not incorporate wider system upgrades beyond those required to address the identified constraints, unless these can be clearly justified. In particular, coordination issues (e.g. timing mismatch between generation development and transmission upgrades) should be explicitly considered. We appreciate that many of these issues may be considered as part of the next stage of the process.
3	Are there any other options we should add to our long list?	Meridian does not propose additional options at this stage. However, we expect that some long-list options (particularly cabling solutions) are unlikely to be economically efficient. We consider it appropriate that Transpower undertakes sufficient high-level analysis to confirm this and narrows the option set accordingly at shortlist stage. We would also like to see Transpower consider upgrades to existing substations alongside new GIPs.
4	If new or upgraded shared transmission capacity were developed, which connection areas or locations would be most beneficial to you and why (e.g., proximity to your projects, lower curtailment risk, fewer consenting barriers)?	From Meridian's perspective, options that reduce reliance on the constrained Bunnythorpe-Woodville 110 kV corridor, and provide access to higher-capacity backbone infrastructure are most beneficial. This is in line with our view that this line upgrade should be the highest priority, given its role in relieving this constraint and supporting multiple projects.
5	Are there any other criteria we should consider when evaluating our long list of options and reducing it to a short list?	We suggest that the following criteria be emphasised: - system-level efficiency - ability to reduce curtailment and minimise reliance on SPS and runback - flexibility and expandability for future generation - ability to avoid locking in high-costs with inflexible infrastructure such as cables.

6	Are there any constraints or limitations we might not be aware of regarding our options?	There is potential for unintended system interactions (e.g. resolving one constraint but creating another). There are practical limitations in upgrading some substations, as well as outage requirements and the ability to run major construction projects. We also believe that there will be constraints associated with the higher cost options (e.g. cables), including fault repair times, limited upgrade pathways and connection complexity.
7	Are you aware of any new industrial, commercial, residential or other developments that will significantly impact demand that are not mentioned above? If so, what are they?	Meridian is not aware of significant additional demand developments beyond those identified. We note that demand growth in the region appears relatively modest compared to other regions. In this light, the investment case will likely be primarily driven by generation growth.
8	Do you consider our demand assumptions appropriate for this investigation? Please provide us with any information about developments in the region that could help inform our forecasts.	Meridian supports the use of demand scenarios, but encourages careful testing of near-term demand assumptions. Demand forecasts should be realistic and not overstated.
9	Do you agree with our proposal to use our BBC Assumptions Book v3.0 variations as the basis for our market scenarios for this investigation?	Meridian supports the use of 2024 EDGS and the BBC Assumptions Book as a starting point. However, the translation of national-level assumptions to the regional level should be transparent, and tested for robustness.
10	Are you developing a generation project in the Tararua and Wairarapa area? At what stage are you in developing it (e.g. investigating, consenting, in design, financial investment decision approved, in construction)? If there was sufficient transmission capacity, when would you expect your project to be built?	Meridian has a portfolio of generation projects in the region at varying stages (see appended table). In general, the availability of transmission capacity would influence timing, scale and connection approach.
11	Are you aware of any additional generation projects in or near the Tararua and Wairarapa region that could materially affect our modelling for this investigation?	Meridian is aware of a broader pipeline of wind and solar projects in the region, based on Transpower's public information about the connection queue. We encourage Transpower to continue to refine its understanding of project timing and likelihood of progression.
12	Do you consider our generation assumptions (including assumed capacities, costs and capacity factors) appropriate for this investigation?	Meridian considers generation assumptions are broadly appropriate as a starting point. However, specific assumptions (e.g. capacity factors and project status) should be tested and updated where necessary. We have

		provided project-specific input in the appended table.
13	What aspects of the regional transmission development plan would be most important for your generation projects (e.g., timing certainty, connection configuration)?	Key factors for Meridian include timing certainty of transmission upgrades, the ability to minimise curtailment risks, connection configuration flexibility, and access to high-capacity backbone infrastructure. This also reinforces the importance of core upgrades such as the Bunnythorpe-Woodville 220 kV line proposal.
14	Do you consider the proposed calculation period to 2055 appropriate for this investigation? Or do you think we should use a calculation period longer than 2055 to assess the economics of the investment options? If yes, what end year (or number of years) would you suggest, and why?	Meridian considers this to be broadly appropriate, given the long-lived nature of transmission assets. However, the analysis should ensure that results are not overly sensitive to distant future assumptions.
15	For this investigation, we propose using a 3% discount rate to better reflect the long-term benefits of enabling renewable generation and supporting more affordable electricity prices. Do you consider a discount rate of 3% (with sensitivities of 1%, 5% and 7%) to be appropriate for this investment?	Meridian recognises the rationale for using a lower discount rate. However, we note that the choice of discount rate materially influences investment outcomes. We recommend careful use of sensitivity analysis, and that the implications of using a lower rate are clear and transparent.
16	Are there any unquantified or additional net economic benefits that should be considered in this investigation?	Potential additional benefits could include increased competition between generators, improved investment certainty, and coordination benefits from shared infrastructure. However, any unquantified benefits should be transparently described, and carefully bounded to avoid overstating the case.
17	What assumptions should we make about the counterfactual for your project (i.e. without the coordinated Tararua grid upgrade) – including how you would connect, and whether a coordinated upgrade would change your project's timing, cost, or scale?	In the absence of coordinated upgrades, generation is likely to connect incrementally, face increased curtailment and SPS constraints, and potentially be delayed or resized. It is important that Transpower fully tests alternative locations and development pathways, and ensures that enabling this region is efficient at a system level.
18	Are there any other market costs or benefits that should be reflected in our Investment Test?	The Investment Test could also consider the impacts of curtailment, SPS/runback, and coordination inefficiencies. In addition, care should be taken to ensure that costs associated with wider system upgrades are not inappropriately attributed to this MCP.



Appendix – project information (confidential)

No.	Site	Type	Transpower CMF ID	Node (line and/or sub)	MW capacity	Current capacity to connect	Site status	Consent status	Information publicised
1	Te Rere Hau	Wind	00037581	BPE-LTN 220kV	170	Yes	Secured	Consented	Yes
2	Mt Munro	Wind	00037583	MGM-MST 110kV	90	Yes	Secured	Consented	Yes
3	Bunnythorpe solar	Solar	00037691	BPE 220kV	150	Yes	Secured	Consented	Yes
4	Bunnythorpe BESS	BESS	00037692	BPE 220kV	100	Yes	Secured	Consented	Yes
5	Motorimu	Wind	n/a	BPE-WIL-A 220kV / LTN 220kV (likely)	120	Yes (likely)	Advanced	Pre-application	No
6	Te Āpiti repower	Wind	n/a	BPE-WDV 110kV / BPE 220kV (likely)	170	No	Secured	Pre-application	No
7	Te Āpiti 2	Wind	n/a	BPE-WDV 110kV / BPE 220kV (likely)	170	No	Advanced	Pre-application	No
8	Tourere	Wind	n/a	FHL-WDV 110kV (likely)	150	No	Secured	Pre-application	No
9	Hau Nui repower	Wind	n/a	MST-UHT 110kV (likely)	100	No	Advanced	Pre-application	No
10	Pori	Wind	n/a	MGM-MST 110kV / MGM 110kV (likely)	100	No	Advanced	Pre-application	No