

**IN THE MATTER** of the Resource Management Act 1991

**AND**

**IN THE MATTER** of a notice of requirement issued by **WEL NETWORKS LIMITED** pursuant to section 168(2) of the Act for designations (3) to authorise the implementation of the Western Network Upgrade Project

## **STATEMENT OF EVIDENCE OF JOHN VAN BRINK**

### **1. INTRODUCTION**

1.1 My name is John van Brink. I am employed by WEL Networks Limited (“WEL”) in the position of General Manager Asset Investment and Growth. I joined WEL in September 2007 and have been in my current role since November 2008. In that capacity I have overall responsibility for network investment and maintenance planning and design, in addition to oversight of business development initiatives.

1.2 I hold a Masters Degree in Electrical Engineering from Auckland University (1976 with Distinction) and a Bachelor of Engineering degree (with Honours), also from Auckland University (1975).

1.3 I have some 30 years experience in the electricity industry both in New Zealand and overseas, in the areas of electricity generation (thermal and renewable), energy trading, and infrastructure management. Prior to joining WEL I was at Beca, managing contracts and relationships with transmission, distribution, and industrial clients in New Zealand, Australia and Indonesia. Previously, I held senior roles at United Networks and Vector, being responsible for commercial activities of the electricity and gas distribution businesses and participating in a number of acquisitions and divestments.

### **Purpose and scope of evidence**

1.4 The purpose of my evidence is to introduce WEL, to outline the company’s commercial and environmental responsibilities and objectives, and to

comment on the philosophy underpinning the Western Network Upgrade Project. Specifically, I will:

- (a) Introduce WEL, briefly describe WEL's electricity distribution network and describe the company's core business and existing generation initiatives (Section 3).
- (b) Outline WEL's corporate values, environmental commitments and performance profile (Section 4).
- (c) Outline, in the context of the foregoing, the commercial rationale for the Western Network Upgrade Project (Section 5).

1.5 My evidence provides an introduction and an overview of WEL's position and needs to be considered alongside the evidence of:

- (a) David Mollekin, the project manager of WEL's Western Network Upgrade, who is responsible for electricity networks strategic planning, technical support and major projects development; and
- (b) Ron Jackson, who describes the project from a technical perspective.

1.6 A summary of my key points is set out in Section 2.

1.7 I am authorised to present the evidence on behalf of WEL.

## 2. **SUMMARY OF MY EVIDENCE**

2.1 WEL is a Hamilton based electricity distribution ("lines") business which has the core function of delivering energy to customers in the Waikato Region. WEL Networks is 100% owned by the WEL Energy Trust, an elected trust that represents the interests of the local community. The long term capital beneficiaries are the local councils: Hamilton City Council, Waikato District Council and Waipa District Council.

2.2 The WEL network encompasses the mid Waikato from Mount Pirongia in the south, to Meremere and Maramarua in the north, and from the coastline in the west to an eastern boundary just to the west of State Highway 27.

2.3 WEL's network services over 80,000 connected customers with a maximum demand of over 230 MW and annual energy conveyance exceeding 1,100 GWh. WEL's customer base has continued to grow and in the 2007 – 2008 financial year, an additional 1,463 network connections were made,

which accounted for an increased load of 25.8 GWh. To put these numbers in context, the wind farm will generate a maximum of up to 84 MW and around 250 GWh per annum of energy, which is around one quarter of our customers' needs.

- 2.4 As a community-owned organisation, the company is committed to placing the Waikato community at the forefront of its planning and decision-making.
- 2.5 WEL has a commitment to operate in an environmentally sensitive manner and adopts a proactive approach to environmental and safety issues relevant to the companies' operations. WEL adopted an environmental policy in August 2003 and was approved by the Minister for the Environment as a requiring authority in 2004.
- 2.6 WEL has developed procedures which outline WEL's responsibilities and the responsibilities of its employees and contractors to ensure compliance within the RMA.
- 2.7 WEL has been rated as a network provider by the Commerce Commission against a series of technical and financial targets. It is rated as fifth out of 28 network providers in New Zealand in terms of investment and was acknowledged as having the second best asset management plan. The published performance statistics demonstrate that WEL is a competent and prudent operator with performance above the national average.
- 2.8 The Western Network Upgrade Project involves the development of two substations (Te Kowhai and Te Uku Wind Park substations) as well as the upgrade of the current lines servicing the Te Uku and Raglan areas. The project has two related purposes:
  - (a) To transform the electricity generated at the Te Uku Wind Park and enable that electricity to be transmitted to the points of use, predominantly within the WEL network (mainly Raglan/Hamilton West areas) with any surplus being injected into the National Grid.
  - (b) To enhance the security of electricity supply to the lines network in the western part of WEL's supply area, by upgrading the existing network.

### 3. **WEL NETWORKS LIMITED**

- 3.1 WEL is a Hamilton based electricity distribution ("lines") business, the core business of which is to deliver energy to consumers in the Waikato Region.

### WEL's electricity distribution network

- 3.2 The WEL network encompasses the mid Waikato from Mount Pirongia in the south, to Meremere and Maramarua in the north, and from the coastline in the west to an eastern boundary just to the west of State Highway 27, as shown in the WEL distribution network map, at Figure 3.1.

Figure 3.1: WEL distribution network area



- 3.3 WEL is the Waikato Region's largest electricity network operator. WEL Networks manages, maintains and develops the physical network of lines with over 80,000 connections, and an annual throughput of over 1,166GWh and a system length of 4,884 kilometres, including 1,469 kilometres of underground lines.
- 3.4 This network connects to the National Grid via Transpower substations at Meremere, Huntly, Hamilton East, and Te Kowhai. At each of these Grid

connections, electricity is transformed from extra high grid voltage of 220kV to a sub transmission voltage of 33kV for bulk distribution across the network.

- 3.5 The WEL network has 23 zone substations which further reduce voltage to 11kV, for reticulation through some 2,105km of lines and 320km of underground cables to 4,455 distribution transformers. From these, a low voltage network comprised of 1035km of overhead lines and 747km of underground cable supplies end use customers.

#### **4. WEL OWNERSHIP AND CORPORATE VALUES**

- 4.1 WEL Networks has one shareholder, the WEL Energy Trust, an elected trust that represents the interests of the local community. The long term capital beneficiaries are the local councils, Hamilton City Council, Waikato District Council and Waipa District Council.

- 4.2 As a community-owned organisation, WEL is committed to placing the Waikato community at the forefront of its planning and decision-making.

- 4.3 The Trust has also been instrumental in providing a wide range of community programmes and facilities resulting in tangible benefits to the people of the Waikato. Examples of these benefits include programmes for insulating water cylinders, energy efficient lighting, heat pumps and installations, discounts and sponsorship of the Waikato Performing Arts Centre.

##### **WEL's corporate values**

- 4.4 WEL is an energy company under the Energy Companies Act 1992. Section 36 of that Act states that WEL's principal objective is to operate as a successful business. In seeking to achieve this objective, whilst meeting obligations to our owners, WEL is required, amongst other things, to have regard to the efficient use of energy.

- 4.5 WEL is a service-oriented company and meets customer expectations through an efficient, reliable and safe service at a competitive price. We benchmark our services against similar businesses on an international basis, enabling us to establish acceptable levels of security for our networks, as well as managing the reliability of supply.

- 4.6 In order to meet our security standards and respond to the demands of current and future customers connected to our network, WEL needs the ability to construct, maintain and operate its network utility business and in that

regard WEL was approved by the Minister for the Environment to become a requiring authority in 2004. That enables the company to utilise designation powers to authorise the land use aspects of network upgrades such as new lines and substations.

4.7 Good industry practice also dictates the level security and timing of investment to achieve this.

4.8 WEL has a substantial capital works programme underway as detailed in its asset management plan, including the Western Networks Upgrade Project.

### **WEL's environmental commitments**

4.9 WEL has a commitment to operate in an environmentally sensitive manner and is concerned to ensure that it has a reputation for a proactive approach to environmental and safety issues relevant to the companies' operations.

4.10 WEL applies an environmental policy, first adopted in August 2003. It states:

*"WEL recognises that a successful electricity distribution system is part of the economic resources and infrastructure of the national, regional and local communities. In operating a successful network business, WEL is committed to ensuring that its activities are conducted with a high standard of environmental performance. This will be achieved by ensuring that the needs of the community and the values attached to the natural and physical resources are taken into account in planning the way in which our business is conducted. This is demonstrated by our adherence to the following:*

- *We operate our businesses safely and as good stewards of the environment. If it is not safe, we will not do it.*
- *We strive to limit possible impact on the surrounding environment by ensuring environmental management is a key component of our operational and network development strategy.*
- *We recognise that safety, the health of our employees, the community and environmental stewardship are every employee's responsibility.*
- *We will comply with environmental regulations and serve as guardians of our natural resources and environment.*
- *We build concern for the environment into everything we do.*
- *We act to protect public health and safety in everything we do."*

- 4.11 In accordance with this policy, WEL has developed procedures which set out our corporate responsibilities and the responsibilities of our employees and contractors in terms of compliance with the RMA.
- 4.12 Where resource consent is required, the application is accompanied by a thorough assessment of options available and the effects of each of these on the environment as well as a detailed consideration of the relevant objectives and policies of the district plan.

#### **WEL performance profile**

- 4.13 All distribution networks are subject to stringent overview by the Commerce Commission. They are measured by a series of key technical and financial performance indicators which are published.
- 4.14 These indicators include network performance measured by outage and response times, and indicators that reflect each network's ability to plan and invest in assets that are required to provide robust supply to their distribution area. The latest comparative results are available for the year 2006.
- 4.15 In terms of investment, WEL is rated fifth of the 28 network companies, which indicates it is both in a high growth area and is addressing investment required to meet this growth into the future.
- 4.16 WEL was recently benchmarked by the Electricity Commission/Commerce Commission as having the second best asset management plan when compared to the compliance requirements for network companies in New Zealand.
- 4.17 In terms of network performance, measured by minutes the average customer is without power, the network is measured against a regulatory target. WEL has performed better than target and has shown consistent improvement since the measures were introduced. This indicates that the performance of WEL is now delivering a standard of performance much better than that required by regulation.
- 4.18 The published performance statistics clearly demonstrate that WEL is a competent and prudent operator with performance above the national average.

## 5. RATIONALE FOR THE WESTERN NETWORK UPGRADE PROJECT

5.1 There are two key purposes for undertaking the Western Network Upgrade Project. They are:

- (a) To transform the electricity generated at the Te Uku Wind Park and to enable that electricity to be transmitted to points of use, predominantly within the WEL network (mainly Raglan/Hamilton North and West areas) with any surplus being injected into the National Grid to displace non-renewable generation. The Wind Park represents an appropriate and complementary expansion of WEL Networks' core business. The requirement upgrade itself has been accelerated so as to transmit electricity generated by the Wind Park.
- (b) To enhance the security of electricity supply in the western Waikato area, mainly the area west of the deviation towards and including Raglan. Upgrading the current lines by building a second circuit, which will carry higher voltage 110 kV electricity, will ensure that the growing populations in WEL's service areas to the West of Hamilton have an electricity supply that has built-in duplication necessary to ensure a reliable supply commensurate with communities the size of Raglan.

5.2 The Western Network Upgrade Project represents a significant investment for WEL (in the vicinity of \$30 million) and WEL would not undertake a project of this scale if it was not necessary.

5.3 In summary, the upgrade will ensure security of supply for the local area and the electricity generated at Te Uku will primarily be used by WEL customers. Given the expected increase in customer connections and general; load growth in the region West and North of Hamilton, all electricity generated will eventually be used by WEL customers. The technical details around the proposal, specifically how the upgrade will meet our own needs for additional transmission capacity into the region is discussed in detail in Mr Mollekin's evidence.

**John van Brink**  
**March 2009**