

Sourcing, Supply & Contracts

Procurement & Supply Chain Integration

Wednesday 24th November 2010

TRANSPower

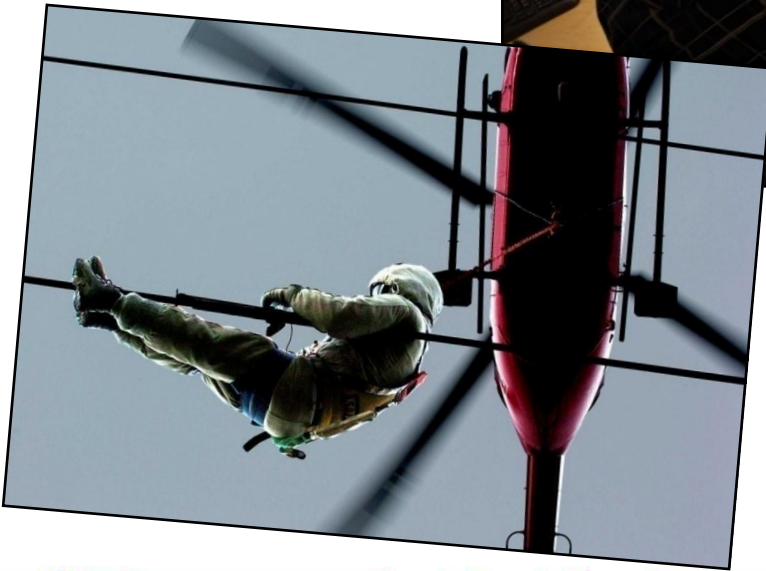
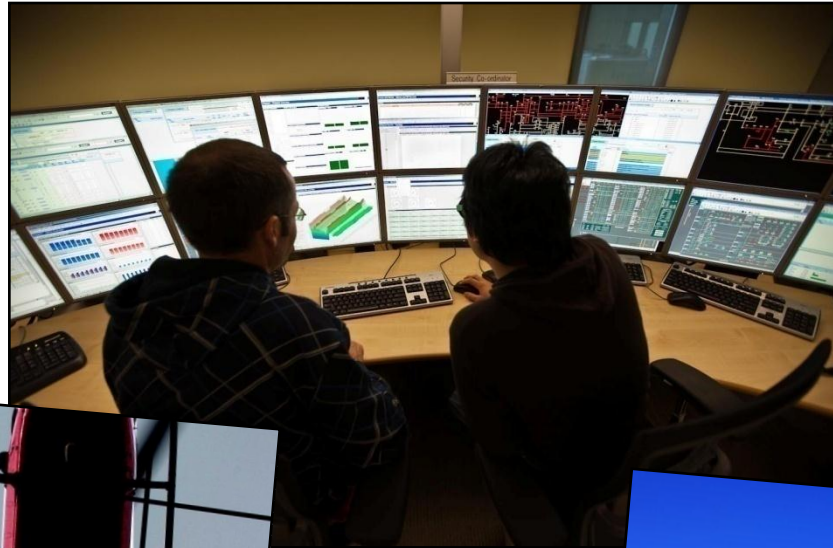


today's agenda

- **Background**
- **Challenges and what we Look for**
- **Recent initiatives** New Structure to support objectives
- **Questions**

Transpower – what we do

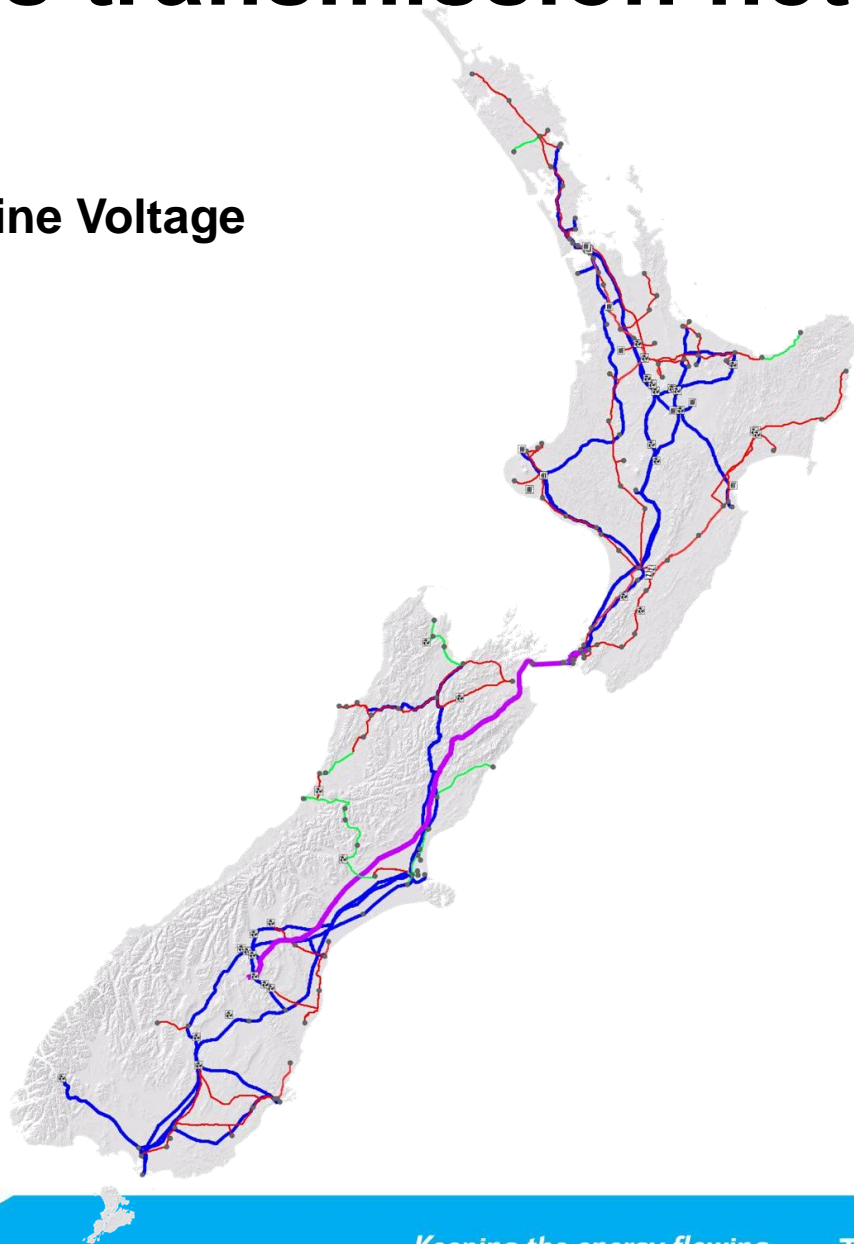
- Plan, build and maintain the national grid
- Operate the system in real time



Transpower's transmission network

Transmission Line Voltage

- 350 kV
- 220 kV
- 110 kV
- ≤ 66 kV



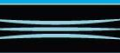
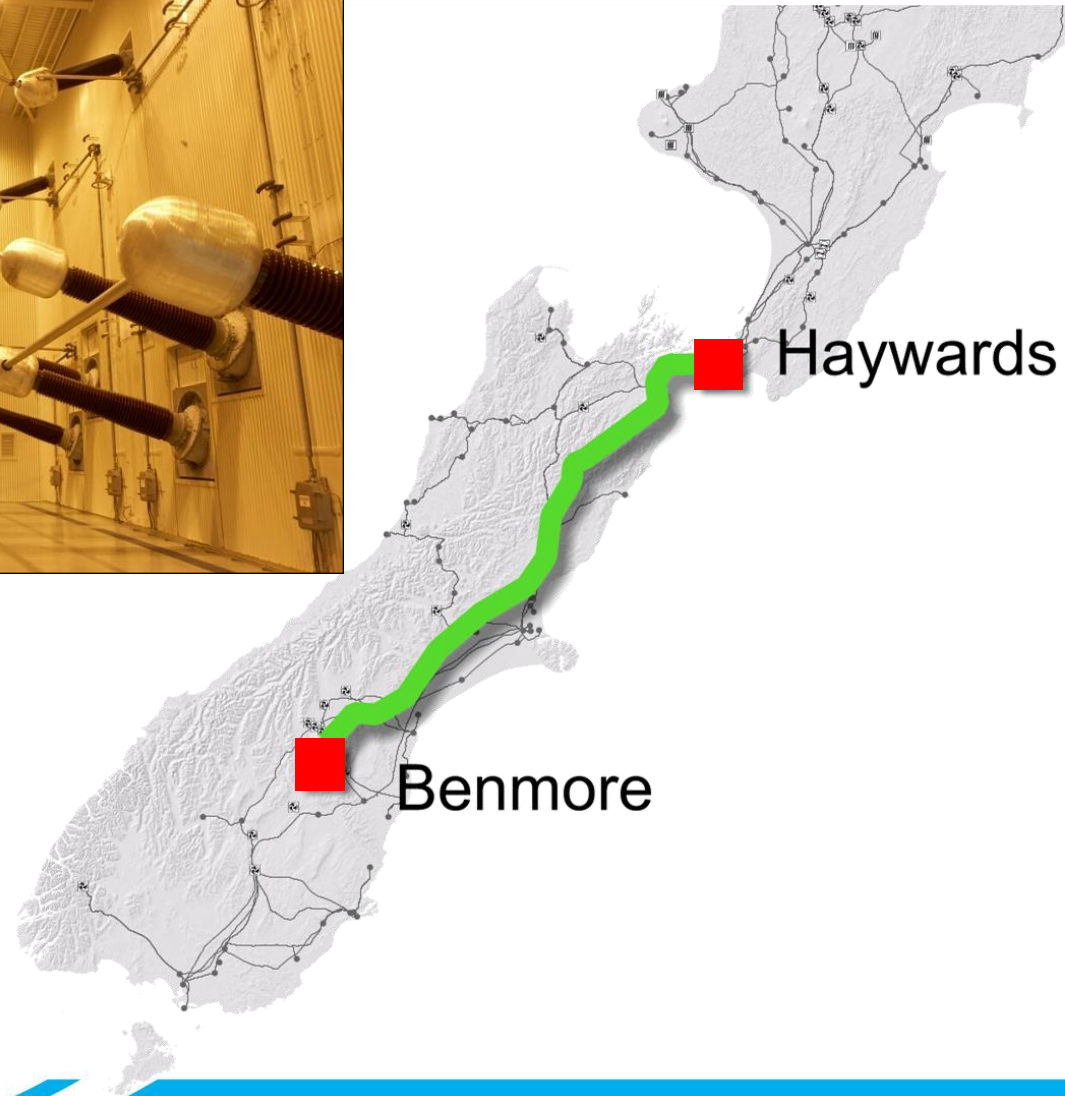
North Island Grid Upgrade (NIGU)



HVDC Pole 3



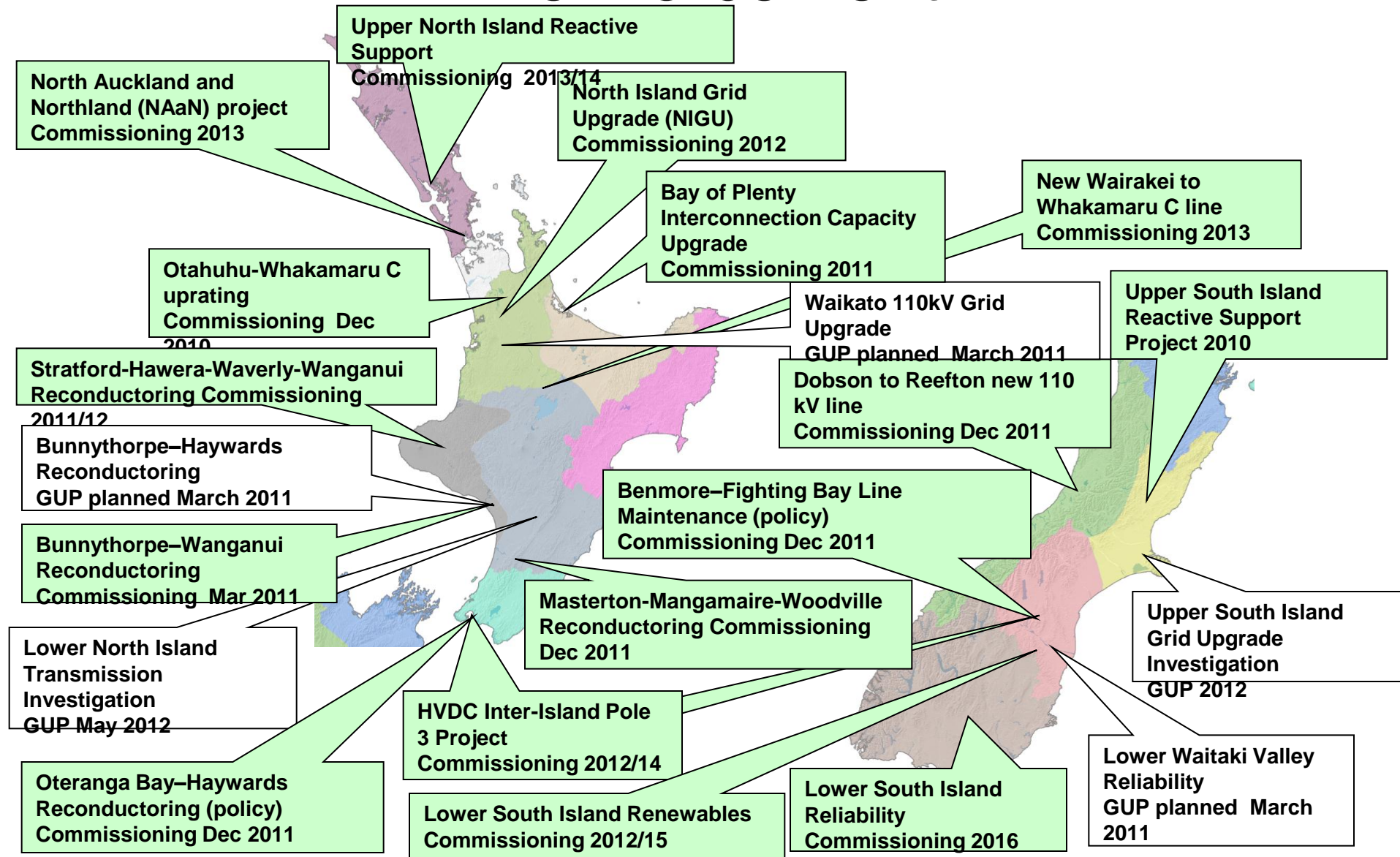
**Pole 2 – Thyristors
(1992)**



North Auckland and Northland (NAaN) project



Reinforcement



Projects

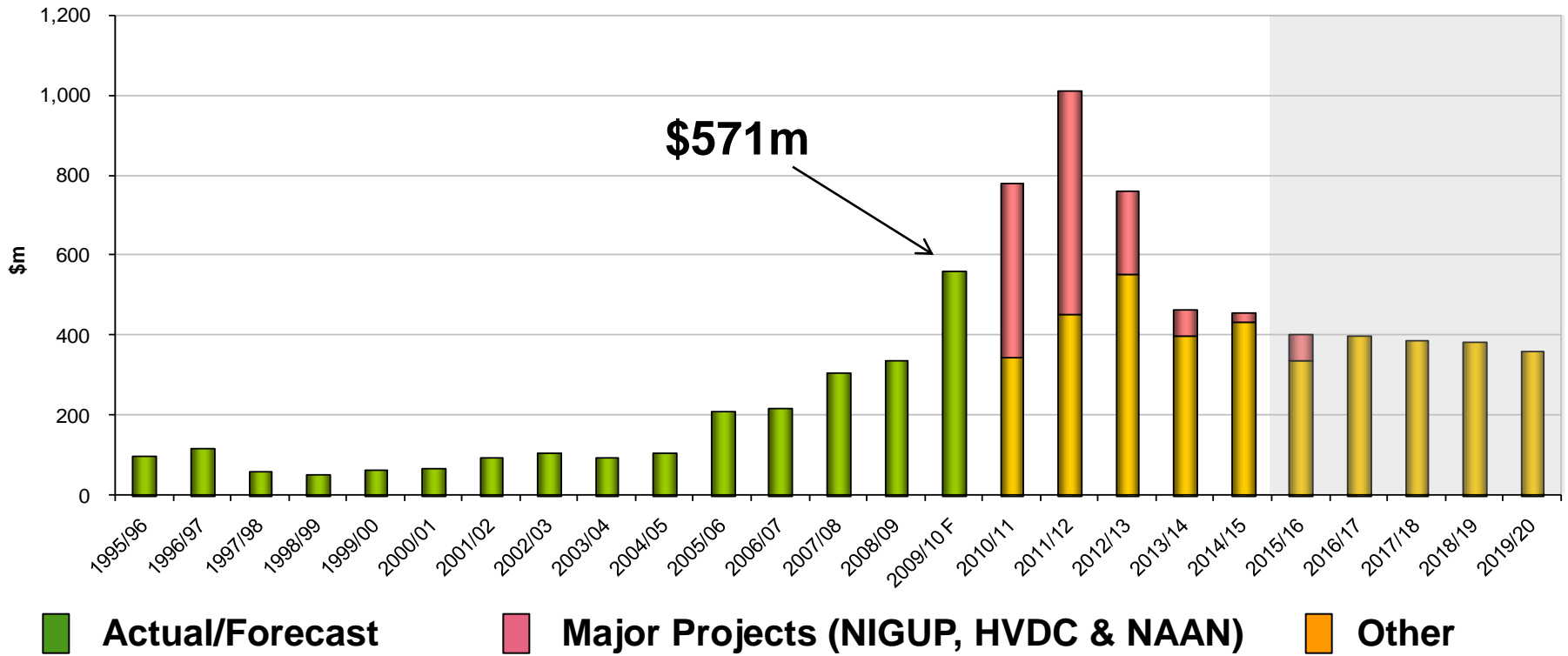
Drury Switching Station	\$15m	May 2010
Otahuhu Substation GIS	\$99m	June 2010
HVDC Upgrade (Pole 3)	\$672m	Autumn 2012
NIGUP 400 kV, Pakuranga Substation	\$824m	Autumn 2012
NAaN Cable and Substation	\$473m	Winter 2013
Wairakei Ring	\$141m	Winter 2013
Lower South Island Renewables	\$170m	2015
Upper North Island Reactive Support	\$110m	2015
Lower South Island Reliability	\$62m	2016
Many other smaller projects...	>\$110m	

>\$2.6 billion approved

completed, under construction and approved



Challenges



Challenges

- Biggest new Construction Phase for at least 40 years
- Access to specialised resources
- Attractiveness to suppliers
- Commerce Commission Expectations “Least (whole of life) Cost”
- Drive to Strategic Procurement
- Supplier Relationship Management

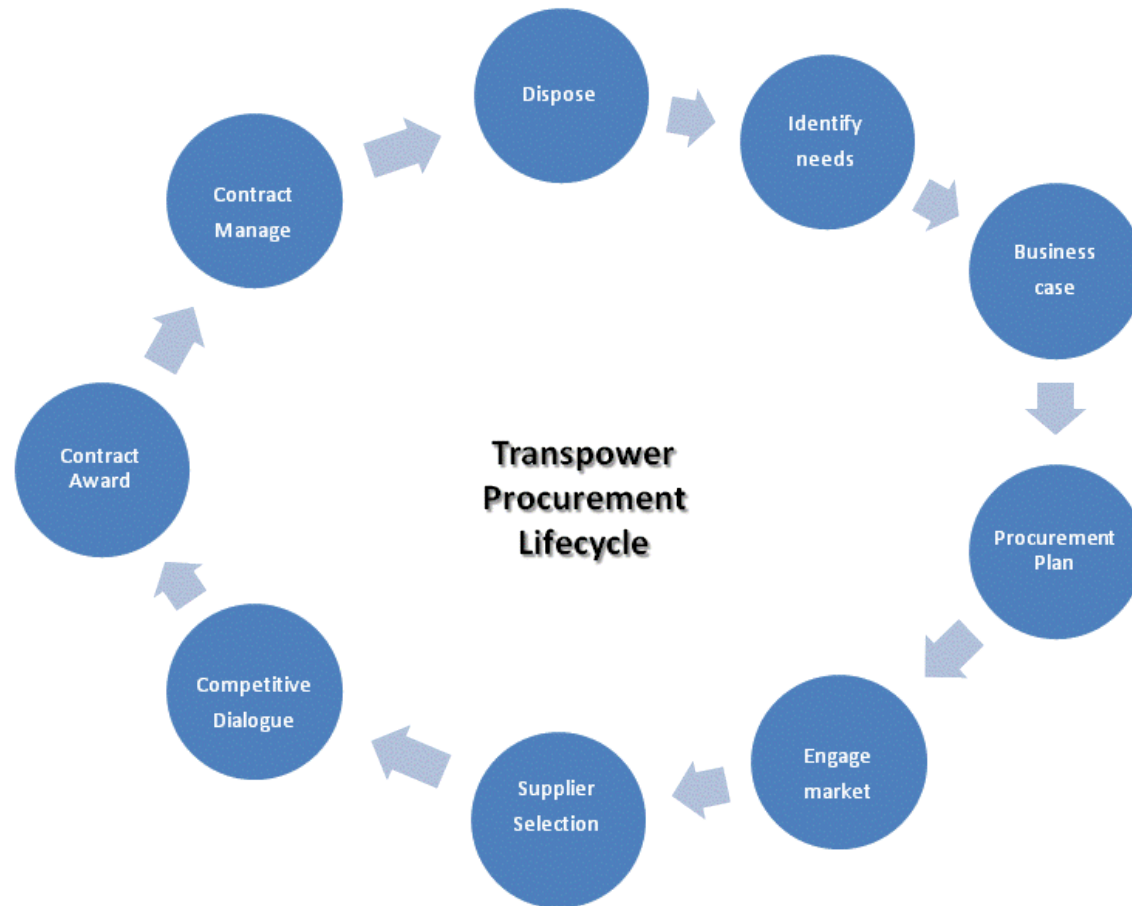
What do we look for

- Safety is Paramount – Zero Harm
- Quality – Long Run lifecycle of assets
- Delivery – Supply Chain Risk (right place, time ,price)
- Price – “least cost”

Recent Initiatives

- Centralisation of Procurement within Transpower – end to end supply chain management – with a transformation mandate
- Strategic Procurement
 - Category Management – Procurement Strategies, Annual Plans
- Supplier Relationship Management

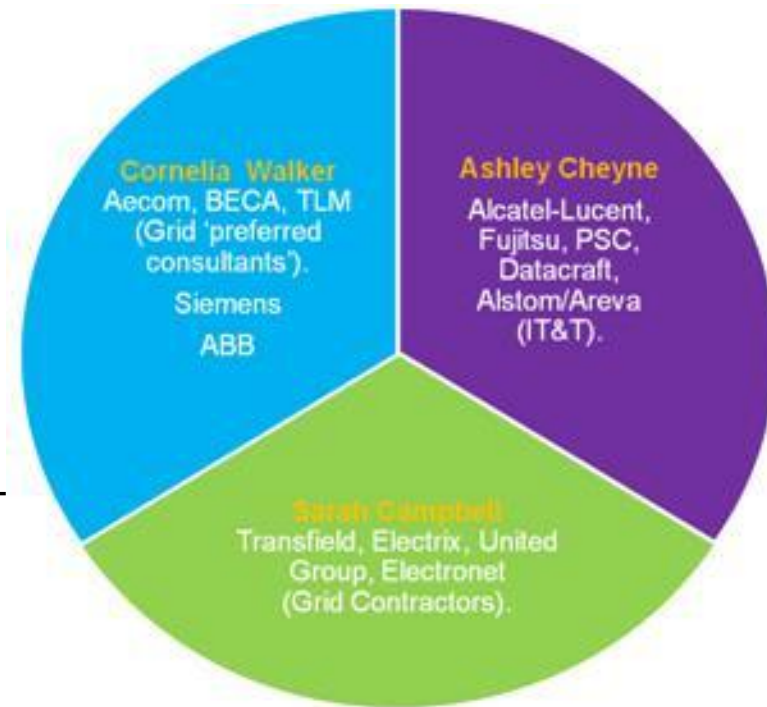
Cradle to Grave Procurement (Supply chain management)



Supplier Relationship Management

The benefits of SRM

- SRM ensures effective governance and engagement to improve communication and facilitate issue escalation between both parties
- The SRM is the 'go-to' person for Transpower and the Supplier to identify issues and risks that affect the relationship
- The SRM will monitor key relationship trends and issues and manage them in collaboration with suppliers to ensure continual improvement
- Formalised engagement helps suppliers to better understand Transpower's requirements, align their strategy and offer value-add initiatives
- Ability to leverage spend using a consistent approach across Transpower



Any questions

