



TRANSPOWER

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Clearing Manager
M-co New Zealand
Level 2, 10 Brandon Street
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WELLINGTON

Dear Sir/Madam

Re: Proposed change to the settlement day payment process

This is Transpower New Zealand Limited's response to the 9 January 2009 discussion paper *Proposed change to the settlement day process*.

Background

Transpower is required to undertake a settlement Same Day Cleared Payment (SDCP) to the Clearing Manager for its Ancillary Services charges, including the following:

- Black Start contract charges
- Over Frequency Arming contract charges
- Instantaneous Reserves Availability Costs – HVDC
- Instantaneous Reserves Event Charges – HVDC (where applicable).

Current process

In order to pay the Clearing Manager same day cleared funds, Transpower must:

- arrange approval of the invoice to be settled, with supporting documentation;
- have a SDCP request prepared and authorised by the ASB Bank Ltd (“ASB”).

The SDCP request is sent by fax to the ASB prior to the 20th of the month. ASB then enters and processes the SDCP as early as is practicable on the 20th. The ASB will usually undertake this action early in the banking day, typically 9.00a.m. – 11.00a.m. However, the process is manual and the actual timing is outside Transpower's direct control.

Responses to the questions raised by the paper

Transpower already receives cleared funds on the 20th of each month and therefore will not directly benefit from the proposed changes. However, Transpower recognises that timing improvements would benefit other participants and are therefore desirable where feasible.

The timing of the current process is not wholly controllable by Transpower as the SDCP process is dependent on the timing of the ASB process.

In order to speed up the process, Transpower is investigating the possibility of changing the current pre-approved process sent by fax, to an on-line process. It is proposed that, when a transaction is entered using on-line banking, once it is approved it will be processed within an hour. It is also possible that the SDCP may be able to be entered several days ahead of time and actual payment then transacted within the first few hours of the banking day on the 20th.

However, the on-line process would only achieve the targeted deadline of 12 midday if sufficient funds are available to cover the payment. Fund availability could be restricted by either available funds or overdraft limits and would not take into consideration pending overnight funding transactions. This is not the case at the moment, as future funding levels can be considered when a fax application is lodged for bank approval.

Even if Transpower were to put in place the on-line process, the chain of payment and payment timing would still be dependent on human action. As parts of the process would remain outside Transpower's direct control, it would not be possible for Transpower to guarantee payment to the Clearing Manager by 12 midday. Consequently, although all reasonable efforts will be made to meet the deadline of 12 midday, Transpower supports the discussion paper's option 1 ("no rule change").

Yours sincerely



Richard Fletcher
Regulatory Strategy Manager