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Kate Hudson  
Electricity Commission  
PO Box 10041  
WELLINGTON 6143

Dear Kate

**Re: Payment in Same Day Cleared Funds**

This is Transpower New Zealand Limited's response to the Electricity Commission's 19 August 2009 consultation paper *Payment in Same Day Cleared Funds*. We have previously responded to the Clearing Manager initiated discussion paper *Proposed change to the settlement day process* (9 January 2009).

**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.

**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 20<sup>th</sup> of the month. ASB then enters and processes the SDCP as early as practicable on the 20<sup>th</sup>. The ASB will usually undertake this action early in the banking day 9.00am – 11.00am. However, the process is manual and the actual timing is outside Transpower's direct control.

## **Response**

Transpower recognises that timing improvements would benefit other participants and are therefore desirable where feasible.

### **Previous submission on the discussion paper *Proposed change to the settlement day process (9 January 2009)***

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 efforts would be made to meet a deadline of 12 midday, Transpower supported the discussion paper's option 1 (no rule change").

### **Current submission on the consultation paper *Payment in Same Day Cleared Funds (19 August 2009)***

The current rule change proposed would require payers to pay the Clearing Manager by 2pm on settlement day. This would allow an extra two hours for ASB to complete its manual process (relatively to the 12midday deadline proposal). Since the inception of the EGRs, Transpower has more often than not met this deadline, but has not always done so. As stated previously, the process is outside Transpower's direct control and therefore timings cannot be guaranteed by Transpower.

The analysis in the consultation paper calculates a net \$25,000 (after costs) avoidance of financial costs if the proposed rule change were adopted relative to the status quo; and a net \$6,500 avoidance of financial costs if the proposed voluntary arrangements were adopted relative to the status quo. The analysis is based on the assumption that the number of days annually that financing costs are incurred is zero under the proposed rule change and six under the voluntary arrangement. Certainly, a target of zero days is desirable, but in either scenario this may not be able to be achieved. Altering this key assumption would substantially affect the net financial benefits calculated and could easily produce a negative result. In practice, it is unlikely that the outcome with the rule change would be any better than with the voluntary arrangement.

Transpower cannot support a rule change when it is aware ahead of time that it cannot guarantee compliance with the rule because of factors outside its control. Consequently, Transpower opposes the proposed amendment to rule 7.2.1 of Part H, even though it would comply with the proposed new deadline in normal circumstances. Transpower re-affirms its support for setting a 2pm payment time as a voluntary target, but with no rule change.

Transpower already receives cleared funds on the 20<sup>th</sup> of each month and therefore would not directly benefit from the proposed change to rule 8.3 of Part H.

Yours sincerely



Richard Fletcher  
Regulatory Strategy Manager