



TRANSPOWER

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Richard Fletcher
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3 February 2010

Lisa DuFall
Electricity Commission
PO Box 10041
Wellington

Dear Lisa

Re: Proposed appropriations and work priorities for the 2010/11 Financial Year

In light of the establishment of the Electricity Authority on 1 October 2010, Transpower agrees that it is appropriate to base the interim recommendations for the appropriations and levy rates for 2010/11 on the rates levied for 2009/10.

An area of work that Transpower has flagged with the Commission previously is that, at some point, the investment-related provisions of the Benchmark Agreement will need to be reviewed, as they are not working satisfactorily with respect to the routine maintenance and refurbishment of connection assets. However, we appreciate that it may be best to wait until the Electricity Authority is established before commencing a review.

With respect to the review of transmission pricing, we believe that further work should be restricted to those options that are practicable. Continuing to expend resources on options such as augmented nodal pricing, which is clearly not a practicable means of allocating transmission revenue and which was almost unanimously opposed by those that submitted on the Commission's consultation paper *Transmission pricing review: high level options*, is not a good use of the levy payers' money.

Transpower, as System Operator, aligns its business plan with industry development needs. This business planning process is part of the System Operator Service Provider Agreement (SOSPA) and takes place between the System Operator and the Electricity Commission each year. The business plan is expected to be completed by 1 March 2010. Any comments on System Operator related work priorities will take place between the System Operator and the Electricity Commission via this separate business negotiation and therefore the System Operator will not be submitting comments on this consultation paper.

Yours sincerely

Richard Fletcher
Regulatory Strategy Manager