



T R A N S P O W E R

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Richard Fletcher
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Lisa Du Fall
Electricity Authority
PO Box 10041
WELLINGTON 6143

Dear Lisa

Re: Proposed Appropriations and Work Priorities for the 2011/12 Financial Year

This is Transpower New Zealand Limited's submission on the Electricity Authority's 22 November 2010 consultation document *Proposed Appropriations and Work Priorities for the 2011/12 Financial Year*.

Proposed 2011/12 appropriations

We have the following specific comment on the "Electricity industry governance and market operations" category set out in Table 2 of the consultation paper:

The proposed total cost for this appropriation category is \$62.5 million for the 2011/12 financial year. This figure is broken down into sub-categories in Table 3, but in order to be able to add further comment we would need to see a breakdown of these costs to gain a better understanding of the costs associated with areas of work such as the advisory groups, working groups, SRC and Rulings Panel.

Market driven project costs are of particular concern to the System Operator. As noted in the paper, the exact timetable and process for managing projects in this category will be agreed between the Authority and the System Operator. We expect that process to better define the project costs which will form a significant part of the appropriation category "All other Authority operational costs". Therefore, at this stage, the costs identified in the paper must be indicative only – consequently, we cannot meaningfully comment on whether or not the proposed appropriations will be sufficient to cover the costs of these projects.

We are aware that the current estimate for the Market Change projects, funded via appropriations, is 25 per cent of the overall listed costs in this category. We would question whether the total amount for "All other Authority operational costs" is sufficient to cover these requirements as well as all other spending to be included in this category.

Work priorities

Until these projects have been developed further, and outcomes have been defined by the relevant working groups, firm dates will not be able to be finalised.

We are currently working with the Authority on a number of these initiatives and will continue these discussions until a schedule of projects can be confirmed. The aim of these discussions is to allow these important and inter-related initiatives to be scheduled and delivered optimally.

For all projects, the timetables need to ensure they take into consideration the long run implications of the work as well as the Code change and implementation aspects.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Fletcher', with a small dot at the end.

Richard Fletcher
Regulatory Strategy Manager