



**TRANSPOWER**

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Philippe Laspeyres  
Senior Advisor  
Commerce Commission  
PO Box 2351  
WELLINGTON

Dear Philippe

**Re: Transmission (non Part F capex) threshold**

The Commerce Commission (Commission) has invited submissions on its preliminary view on the Non Part F threshold amount that it intends to set for the 2009/10 year.

Transpower has reviewed the Commission's paper and the accompanying Strata Report entitled "Review of Transpower's Capital Expenditure Plans (Asset Replacement, Refurbishment & Enhancement and Information Services & Technology)".

As a general comment, we consider that the Strata report represents a balanced view of the company's performance during the current threshold year and, on the whole, comments fairly on the company's capital planning and delivery processes. We acknowledge that further improvements are required to our planning processes in several key areas but also are encouraged that the report has acknowledged where improvements have been made during the year. Further it confirms the importance of investment in the grid and specifically the need for increased levels of expenditure to replace and refurbish existing transmission assets.

Strata considers that an appropriate threshold for the 2009/10 financial year would be \$189.6 m, some 9.5% less than Transpower's Draft Business Plan figures, provided to Strata in April 2009. The downward adjustment has been proposed to reflect: a) the status of project approvals as at April 2009; b) the scope for efficiency gains and c) the anticipated net rollover of expenditure into 2010/11.

Whilst the level of the adjustment is perhaps, by necessity, subjective we consider Strata's approach to be pragmatic given the difficulties associated with establishing an expenditure threshold for a single year. Moving to a multi-year non Part F capex approval process, as envisaged under Part 4, would largely overcome the concern that Strata has with rollovers and unplanned / delayed work, which are inevitable with the short threshold timeframe.

We note that the Commission has proposed an interim non-Part F capex threshold for 2009/10 set at the level of the Strata recommendation pending further discussions in relation to the Bunnythorpe-Wanganui B conductor replacement. Transpower notes that further analysis has been supplied to the Commission, since the publication of the consultation document, which, we believe, supports the case for this conductor replacement to be included in the 2009/10 transmission (non-Part F capex) threshold.

Yours sincerely



Richard Fletcher  
Regulatory Strategy Manager