



7 July 2010

Ross Weenink  
Acting Economic Regulation and Pricing Manager  
Transpower  
Wellington  
By e-mail

Dear Ross

### **HVDC Reserve Availability costs during the commissioning of HVDC Pole Three**

Contact Energy is seeking a formal response from Transpower on how it will financially treat the Reserve Availability costs to cover the Pole Three risk during the commissioning period. To be clear this is the charge that will be attributed to the Grid Owner through the current normal market process.

Contact has sought on numerous occasions through the Economic Regulation and Pricing Manager and the Commissioning Industry Advisory Group (CIAG) to find out whether the Pole Three portion of the Reserve Availability costs charged to the Grid Owner will be treated as a cost attributed to the Pole Three approved GUP as a capitalised expense (CAPEX), or as an operating expense (OPEX).

This has a significant bearing on the forward (HVDC) transmission costs for Contact as if it is OPEX then the costs will be attributed in one pricing year where if it is capitalised against the project then the costs will be recovered over the life of the asset.

We are seeking clarification as soon as possible. If you would like to discuss this matter further, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James Collinson-Smith'.

James Collinson-Smith  
**Manager, Market Services**  
copy: **Shane Tennett**

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