



TRANSPOWER

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Richard Fletcher
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23 December 2008

Trevor Cudby
Levy Regulations Review – Part 4 of Commerce Act
Ministry of Economic Development
PO Box 1473
WELLINGTON

Dear Trevor

Re: Funding the regulation of electricity, gas and airports sectors under the revised Commerce Act 1986

This is Transpower New Zealand Limited's submission on the Ministry of Economic Development's October 2008 discussion paper *Funding the Regulation of Electricity, Gas and Airports Sectors under the revised Commerce Act 1986*.

Allocating the costs of regulation based on each business's share of the total valuation of fixed assets is satisfactory to Transpower in principle. However, the Ministry should be aware that Transpower's expenditure on the levy recovering Commerce Commission costs forms part of Transpower's total operating expenditure, which is constrained by the terms of the Commerce Act (Transpower Thresholds) Notice 2008 not to increase at a rate higher than the rate of increase in the consumers' price index in the period up to the end of June 2011.

While Transpower appreciates that this consultation is not about the quantum of the levy, Transpower wishes to bring to the attention of the Ministry its view that if, as a consequence of the need for the Commerce Commission to increase its expenditure in order to satisfy the requirements of the Commerce Amendment Act 2008, the quantum of the levy increases at a rate substantially higher than the rate of increase in the consumers' price index, it would be appropriate for the Commerce Commission to consider the case for reclassifying expenditure by Transpower on the levy recovering Commerce Commission costs as a "pass through" cost, pursuant to clause 6(2)(c) of Schedule 1 of the Commerce Act (Transpower Thresholds) Notice 2008. Such a classification would make the treatment of the levy recovering Commerce Commission costs equivalent to that of Electricity Commission levies.

The Ministry should also be aware that, contrary to statements in the discussion paper, Transpower no longer uses optimised deprival value (ODV) as the basis for

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valuing its fixed assets. Since 1 July 2006 Transpower has used depreciated historical cost for this purpose, as permitted by the Commerce Commission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Fletcher', followed by a small dot.

Richard Fletcher
Regulatory Strategy Manager