

14 October 2016

Jeremy Cain  
Regulatory Affairs & Pricing Manager  
Transpower New Zealand Ltd  
96 The Terrace,  
PO Box 1021, Wellington,  
New Zealand

Dear Jeremy

**Transpower's late submission following the WACC IM Workshop**

Thank you for your letter and associated documents received on 7 October 2016.

Following the WACC workshop, we requested comments on Oxera's note on debt beta and Powerco's government bond to swap spread data analysis by 5 October 2016.

We did not seek comments on Dr Lally's advice because we had already asked for submissions on his report at the same time as the WACC draft decisions topic paper, by 28 July 2016. Parties also had an opportunity to discuss Dr Lally's analysis further at the WACC workshop. As such, we do not understand your basis for expecting that we would follow up on Dr Lally's advice again after the WACC workshop.

We consider that it was clear from the WACC draft decisions topic paper that we considered Dr Lally's report, including Appendix 1, when making our draft decision on the appropriate cost of debt. In particular, the report formed part of our consideration of whether a prevailing or trailing average methodology should be used. We note that both yours and Frontier's submissions to the WACC draft decisions topic paper both refer to Dr Lally's report.

Although your submission has been received outside the timeframe set, we have decided to consider it in this instance. We have published your submission on our website and will seek comments on the Frontier report, by 26 October, as we consider it is relevant to our consideration of the cost of debt methodology, and we are interested in other parties' views on the material provided.

We remind you that material provided outside consultation timeframes may not be considered in reaching our final decisions, as it may be difficult for us to give it due consideration. In the past we have received late material and have had to inform the submitter concerned that we have been unable to have regard to it.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Keston Ruxton', with a long horizontal flourish extending to the right.

Keston Ruxton  
Manager, Input Methodologies Review  
Regulation Branch