

3 September 2009

Electricity Commission
Level 7, ASB Bank Tower
PO Box 10041
Wellington 6143

by email: submissions@electricitycommission.govt.nz

SUBMISSION ON “PAYMENT IN SAME DAY CLEARED FUNDS” CONSULTATION PAPER

- 1 Orion New Zealand Limited (**Orion**) welcomes the opportunity to respond to the “Payment in Same Day Cleared Funds” consultation paper (**the paper**).
- 2 We endorse the Electricity Commission’s (Commission’s) proposal to amend rule 7.2.1 of part H of the Rules to bring forward the time by which participants are required to pay the Clearing Manager on settlement day from 4pm to 2pm, and to amend rule 8.3 of part H of the Rules to require the Clearing Manager to pay payees in cleared funds by 4.30pm on settlement day.
- 3 The remainder of our submission comprises some general comments on the paper and a suggestion for setting a dollar value to which the same day cleared funds rules apply.

GENERAL COMMENTS

Facilitate competition through reducing financial barriers

- 4 The principle of reciprocity and fairness is supported by the requirement for both paying parties and the Clearing Manager to make payments in cleared funds on the same day so that neither party’s working capital is disadvantaged and there is certainty on the availability of funds.

Paying parties will need to discuss the requirement with their bank and agree deadlines for advising requirements on settlement day. A 2pm deadline should be manageable for most businesses.

Other reasonably practical options

- 5 The other options suggested of retaining the status quo and requesting voluntary compliance will not be as effective for all parties as implementing the rule change:
 - 5.1 The status quo does not provide fairness to all parties and has a cost of providing working capital to payees while the funds are being cleared.
 - 5.2 Voluntary compliance does not provide certainty to the payees and they may incur financing costs. This is not an efficient approach.

Minimum amount for which same day cleared funds payments are required

- 6 There are costs involved for the payer in obtaining payments in same day cleared funds. For smaller payments the cost may be greater than the amount to be paid. The impact on working capital is negligible of smaller amounts not being received in cleared funds

Therefore we would suggest that a threshold be set under which payment in same day cleared funds is not required by either the payer or the Clearing Manager. This threshold could be \$10,000.00 or an amount to be agreed between the parties.

CONCLUDING REMARKS

- 7 Thank you for the opportunity to make this submission. If you have any questions relating to this submission, please contact:
 - 7.1 Dennis Jones (Industry Developments Manager) DDI 03 363 9526 email dennis.jones@oriongroup.co.nz; or
 - 7.2 Ann Lancaster (Financial Accountant) DDI 03 363 9651 email ann.lancaster@oriongroup.co.nz.

Yours faithfully



Dennis Jones
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