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Mr Sebastian Roberts
A/g General Manager
Regulatory Affairs – Electricity
GPO Box 520J
Melbourne VIC 3001

Dear Mr Roberts

Re: Murraylink Transmission Partnership's (MTP) Application for Conversion to a Prescribed Service and the Determination of a Maximum Allowable Revenue

I refer to the Commission's Issues Paper dated February 2003 on Murraylink Transmission Partnership's (MTP) application for conversion of the Murraylink transmission asset from a Market Network Service to a Prescribed Service. In that application, MTP also asked the ACCC to define the maximum allowable revenue for the asset and has proposed a methodology for that purpose.

When MTP proposed to build the Murraylink interconnect it made a commercial decision for it to be an entrepreneurial link with all revenue derived from the market. Under this proposal consumers did not bear the risk of the project. Accordingly, when considering MTP's application for Murraylink to be converted to a prescribed service, the Commission should ensure that the proposed change in state does not result in consumers bearing any additional costs.

The Commission should therefore take into account the net benefits to those customers who will bear any increased costs of Murraylink's proposed change in status. In particular the Commission should assess whether, in all circumstances, the increased cost borne by those consumers through regulated charges is more than offset by the cost reductions they would see in the energy market due to the changed operation of Murraylink.

In undertaking its analysis, AGL supports the Commission making the following assumptions:

- the South Australian / New South Wales Interconnect (SNI) is fully operational
- Murraylink is a new project. The Commission should undertake a "with or without test" assessing all potential alternatives which would provide similar benefits to the Murraylink project. The value of the lowest cost project should be used to set MTP's allowable revenue.

AGL notes that MTP's application includes it undertaking investments totalling $8.97m. MTP should not receive any regulated revenue until it has completed these investment projects.

If, after considering the above issues, the Commission's analysis shows that consumers will receive a net benefit from the presence of Murraylink, AGL would support:

- the asset being converted from a Market Network Service to a prescribed service
- a maximum allowable revenue being determined in accordance with the appropriate asset base, which is the maximum value of assets which still shows a net benefit to those customers who will bear the increased TUOS costs (which may be lower than what Murraylink considers to be the asset's value).

If you have any queries on this matter, please contact Alex Cruickshank, Manager NEM Development, on (03) 9201 7694.

Yours sincerely

Jeff Dimery
General Manager Wholesale Energy