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General Manager
Regulatory Affairs - Electricity
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Dear Sir or Madam,

Victorian Transmission Revenue Caps – Draft Decision

AGL is concerned that the proposed revenue cap decision for Victorian transmission networks has the potential to pass higher costs on to customers than should be the case. AGL takes this view because draft determination effectively puts VENCORP in the advantageous position of having a cost pass through rather than the CPI-x revenue cap. In this regard AGL agrees with TransGrid and Powerlink that all the regulation of network services should be treated comparably in all regions.

The Code requires that the regulation of networks be on a CPI-x basis so that any gains made by the NSP are shared with customers and to provide incentive for the NSP to make gains. While VENCORP provide the bulk of their services through contracts with other parties (mainly SPI PowerNet, but not exclusively), the imposition of a CPI-x target would provide incentive for, and benefit sharing of, the contracting efficiencies that VENCORP is able to make.

The Code focuses on the regulation of networks independently of ownership arrangements. It allows for the situation where there are more than one party involved by aggregating all parties requirements within a region through a coordinating TNSP (clause 6.3.2). By using this approach the ACCC is able to examine the totality of network cost and examine potential efficiencies broadly. The TNSP and the owners can then manage the allocation between themselves.

This approach is consistent with the description of the Victorian transmission network arrangements provided by the Victorian jurisdiction as part of their derogation application dated 9 October 2002. That document indicates that prescribed network services are provided by VENCORP either directly or through contracts with others, including a contract with SPI PowerNet.

AGL therefore considers that the ACCC should be defining a single AARR for the Victorian transmission network on a CPI-x basis and without annual adjustments. The single AARR would then be allocated between VENCORP and the network owners according to their contractual or other arrangements.

If you have any questions regarding the above matters, please contact Alex Cruickshank, Manager NEM Development on (03) 9201 7694 or e-mail acruicks@agl.com.au.

Yours faithfully,

Unsigned electronic copy

Jeff Dimery
General Manager Wholesale Energy



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