

ENERGY USERS COALITION OF VICTORIA

73 Longview Road
North Balwyn, Vic, 3104
Ph: 0417 397 056

Email: davidheadberry@bigpond.com

18 March 2003

Mr Sebastian Roberts
A/g General Manager
Regulatory Affairs – Electricity
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2606

Dear Sebastian

Murraylink Application for Regulated Status

The Energy Users Coalition of Victoria (EUCV) is a major energy end-user group formed with the specific purpose of addressing the current applications for access arrangements by gas and electricity service providers in Victoria. Its members are Ford, Holden, OneSteel, Air International, Toyota and Unidrive.

The Murraylink application for conversion to regulated status has raised many issues which needed review, and we appreciate the additional time (to 18 March 2003) granted to us to be able to submit our views on this topic. Attached to this letter is a submission prepared for us by Headberry Partners P/L (jointly with ElectraNet and ECCSA) which provides the detail as to our concerns with this application.

To summarise our concerns we note that:

- The EUCV supports the construction of stronger interconnection between the states. From the viewpoint of Victorian consumers we recognise that there is a need for stronger interconnection between Victoria and NSW. This is being addressed by the recent completion of SNOVic 400 and by the plans for SNOVic 800 and NewVic 2500. We do not see that Murraylink adds to the needs of Victorian consumers as South Australia is a consistent importer of power from Victoria and any transfer of power from SA would be from higher cost generation than Victoria can access from NSW generators.
- We have a major concern that as much of Murraylink is built in Victoria, a significant part of the regulated costs for Murraylink will be allocated to Victorian network users who will receive minimal benefit from this interconnection.
- We are supporters of SNI as we see this allows SA to directly access power from NSW and as a result, this will place less demand from SA on indigenous Victorian generation.
- It would appear that the application is being made more as a vehicle for minimising losses to Murraylink owners (MTP), rather than as a serious attempt to provide the most effective and lowest cost interconnection to increase access of South Australian electricity consumers to lower cost electricity.

- The approach taken by Murraylink to setting the regulated revenue is clearly one which maximises the return to MTP rather than minimise the cost to network users. We see that it is the role of the ACCC is to ensure the minimum cost to consumers for regulated augmentations is paramount.
- The requests made by MTP for Murraylink's RAB, WACC, opex, pass through, etc as part of developing the regulated revenue, are all calculated to maximise the benefit to MTP. As you are aware EUCV was active in preventing SPI PowerNet from gaining unreasonable returns as part of its recent revenue cap application. We expect the ACCC to review our comments on these issues from the SPI PowerNet review process, and incorporate these comments into any decision the ACCC makes regarding a revenue cap. We see that there must be regulatory consistency between the ElectraNet, PowerNet and Murraylink decisions.
- We are very concerned that Murraylink has applied for a ten year regulatory period before the next review. With the completion of more appropriate regulated interconnections, it would appear any benefit from Murraylink will quickly reduce over the next few years, particularly bearing in mind the relatively high losses it experiences. We see this extended period purely as a method to insulate MTP revenue from the realities of network growth, and placing an unreasonable and unnecessary burden on all network users. The ACCC must evaluate the downside impact and precedent of agreeing to such a long regulatory period in a time where there is significant activity with regard to increasing interconnection between regions.

The EUCV concurs with the views in the attached report that the MTP application is deficient in many areas and that all consideration so far reflects the narrow focus on Murraylink as propounded by MTP. The ACCC must address the technical benefits and detriments of Murraylink and all competing methods of achieving the benefits of increased interconnection in much more detail before it decides to exercise its discretion to consider conversion. We strongly recommend that the IRPC must be involved in identifying the optimum solution(s) to network augmentation between SA, NSW and Victoria and that as part of its involvement, the IRPC should follow the public consultation process required for technical evaluation of regulated interconnections.

In the absence of further investigation of alternatives we are of the view that the ACCC has no alternative but to use its discretion and either not accept Murraylink for conversion to regulated status or defer making a decision until further information is provided.

Yours sincerely

John Pike
Chairman, EUCV