



Our Ref: C2004/506
Contact Officer: Warwick Anderson
Contact Phone: 02 6243 1240

14 February 2005

Mr Dennis Stanley
Manager
Directlink Joint Venture
PO Box 5118
Port Macquarie NSW 2444

Dear Mr Stanley

Subject: Directlink Joint Venturers' (DJV) application for conversion to a Prescribed Service

I am writing to express concern with the conduct to date of the DJV's application for conversion to a Prescribed Service and to propose a process which aims to provide for the efficient, timely and balanced consideration of the application.

The process to date has involved a number of revisions to the original application, resulting in delay and additional costs for all concerned. I do not wish to see the process delayed further and hope that the steps I am proposing will minimise the time and cost of reviewing the application while providing for a fair and balanced assessment.

On 6 May 2004, the DJV lodged its original application for conversion. On the basis of this application the ACCC commenced its assessment process including undertaking public inquiries, engaging expert consultants and commitment of ACCC staff resources.

Following receipt of submissions and related market developments the DJV made revisions to its original application and provided a revised application on 22 September 2004. Owing to the material nature of the amendments contained in the revised application, the ACCC considered that it was necessary to recommence its consideration of the application including a fresh round of public consultation and adjustment to the contracts for its expert consultants. This led to an additional commitment of resources by the ACCC, the DJV and interested parties.

On 26 November 2004, the ACCC received a report from PB Associates setting out its views on the deferral benefits claimed by the DJV. A copy of the report was placed on the ACCC website and submissions were sought, including from the DJV. The DJV provided comments on the PB Associates' report on 14 January 2005.

Subsequently, on 8 February 2005, the DJV provided the ACCC with new material which alters the nature of the application. In your letter accompanying the new material you request the ACCC to undertake a 'balanced assessment of firm evidence that the Directlink Joint Venturers have had the opportunity to examine and respond'. As the new material raises

issues of substance, I consider that a further round of public consultation will be necessary to provide the balanced assessment that you seek. The ACCC considers that it will also be necessary to seek additional advice from PB Associates on the new material. As a result, the latest revisions will require the expenditure of additional resources by all concerned and will extend the time it will take for the ACCC to be in a position to reach a decision on the application.

I note that the ACCC is yet to receive its report from Intelligent Energy Systems (IES) on the market benefits claimed by DJV. I anticipate that the IES report will be available to the ACCC in early March.

While there is a need to ensure that the DJV is provided with a reasonable opportunity to comment on the IES material, I am concerned to ensure that any further ACCC consultation and consideration is conducted in as efficient a manner as possible.

To this end I propose the following process.

First, I will provide you with a copy of the IES report once it has been received by the ACCC. At this time I will ask you to provide any comments you have on the report.


Second, I will undertake a further round of public consultation on your application. At the same time I will ask the ACCC's expert consultants to provide me with a final assessment of your application. This is likely to involve recasting the terms of reference for the consultants to account for any material amendments to your application.

Third, once the ACCC has received any public comments and the reports from its expert consultants then the ACCC will prepare a draft decision. The DJV and interested parties will have the opportunity to comment on the draft decision. This may include a public forum if requested. Once these comments have been assessed, the ACCC will publish its final decision.

Finally, before I undertake public consultation and obtain final reports from the ACCC's consultants I seek assurances from you that the DJV's application and supporting material is final and complete. If you cannot give these assurances we will need to re-consider the process I have outlined in this letter.

I trust that the process I have proposed will provide an efficient, timely and balanced assessment while conserving the resources of all parties. Please contact me on 03 9290 1867 or Warwick Anderson on 02 6243 1240 if you wish to discuss this matter further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S.R.' followed by a horizontal line and a period.

Sebastian Roberts
General Manager
Regulatory Affairs - Electricity