



24 May 2002

Mr Michael Rawstron
General Manager Regulatory Affairs – Electricity
Australian Competition and Consumer Commission
PO Box 1199
Dickson ACT 2602

e-mail to electricity.group@accc.gov.au

Dear Mr Rawstron

ACCC Regulation of the Victoria Transmission Network.

Thank you for the opportunity to comment on the issues relating to the determination of an appropriate revenue cap of the SPI PowerNet transmission network. CitiPower offers the following comments for your consideration.

Performance Standards

SPI PowerNet refers to performance incentives in relation to the main transmission system and generator connections. No proposal has been put forward to include direct performance incentives for distribution connections other than to refer to the ACCC review of TNSP Service Standards. We believe in the benefits that appropriate incentives can deliver and understand the difficulties in establishing a fair and reasonable incentive scheme. However, customers value reliability and we believe there is scope to consider the introduction of a financial incentive to reward good performance of distribution connections.

Impact on Distributors Transmission Tariffs

We note that the SPI PowerNet proposal will result in significant increase in overall transmission costs which must be passed directly through to customers. However, the increase proposed would breach the CPI + 2% rebalancing control on Transmission Tariffs charged to customers leaving distributors exposed unless the Essential Services Commission agrees to vary the constraint mechanism.

Please do not hesitate to give me a call on telephone 03 9297 8933 if you wish to discuss this matter further or require additional information.

Yours sincerely

Rolf Herrmann
Manager Regulation