



DIRECTLINK JOINT VENTURE

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23 February 2005

Mr Sebastian Roberts
General Manager, Regulatory Affairs – Electricity
Australian Competition and Consumer Commission
470 Northbourne Avenue
CANBERRA ACT 2600

Attention: Mr Warwick Anderson, Director - Electricity, Regulatory Affairs Division

Dear Mr Roberts

Re: Application for Conversion to a Prescribed Service and a Maximum Allowable Revenue to June 2015

Thank you for your letter of 14 February 2005 in relation to the Directlink Joint Venturers' application. We acknowledge your concerns about the possibility of further delays, and we would like to confirm our willingness to work with the Commission to avoid them. Our desire is also for your application review process to be finalised as soon as possible.

We note that the Commission has published on its website the Directlink Joint Venturers' submission (14 January 2005) on the November 2004 PB Associates report and our subsequent recalculation of the deferral benefits (8 February 2005). Please know that, in providing a recalculation of the deferral benefits, we did not intend to vary the nature of the application or introduce substantive new issues. The Directlink Joint Venturers sought only to bring together matters of which the Commission staff were already aware and demonstrate their implications for the Regulatory Test and Directlink's asset value. Having said that, we understand the Commission has interpreted this differently.

I can confirm that our application and views put in our submissions are firm and are based on analysis of all the information available to the Directlink Joint Venturers at this time. We, like the Commission staff, have searched for all the relevant information that has a bearing on our application. We believe that our analysis and conclusions in the application are thorough and have regard to the published views of the Commission's consultants and TNSPs, and the views that relevant stakeholders have put to us. For this reason, the application provides a sound basis for the Commission's draft decision. Our information sources are generally listed in the application and we are also willing to confirm any sources where there might be any doubt.

We do not intend to vary the nature of the application or bring forward substantive new material ourselves prior to the draft decision. Should substantive information to which the DJV has not previously had access come to the attention of the Commission, and the Commission wishes to take account of that information in its draft decision, we are confident that the Commission will advise us. We can then work with Commission staff to understand the impact of that information on the estimation of Directlink's alternative projects' costs and benefits. This circumstance might arise when PB Associates provides the Commission with any further advice relevant to PB Associates' reviews of the Directlink application and TransGrid's capex plan, and the Directlink Joint Venturers' response. This circumstance might also arise when IES presents its report and we understand that the Commission already intends to consult us on the IES report.

I hope that we have been able to alleviate your concerns as to the Directlink Joint Venturer's intentions and satisfy you that we will do all we can to move the Commission's process forward.

If there is any matter in this letter with which the Commission wishes to discuss further, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read "D. Stanley", with a decorative flourish at the end.

Dennis Stanley
Directlink Joint Venture Manager