

Our Ref: C2002/980
Contact Officer: Malcolm Beattie
Contact Phone: 02 6243 1172

6 November 2002

Mr David Croft
Chief Executive Officer
TransGrid
PO Box A1000
Sydney South NSW 1235

Dear Mr Croft

Thank you for your letter dated 19 July 2002 regarding an application for adjustments to TransGrid's revenue cap to take into account the acquisition of the Snowy Mountains Hydro-Electric Authority's (SMHEA) transmission assets.

The Australian Competition and Consumer Commission (Commission) considers that the acquisition of the SMHEA transmission assets represents a substantial change in the transmission assets owned by TransGrid and leads to a material change in the TransGrid's revenue requirement. In accordance with clause 6.2.4(d)(3) of the National Electricity Code the Commission revokes TransGrid's existing revenue cap.

In accordance with clause 6.2.4(e) the Commission substitutes TransGrid's existing revenue cap with one that combines the allowable revenues determined by the Commission for TransGrid and SMHEA for the periods 2002/2003 and 2003/2004 plus an allowance of \$500,000 for income tax payable. TransGrid's new revenue cap will therefore be \$11.18 million and \$11.16 million greater than its existing revenue cap for the financial years 2002/03 and 2003/04 respectively, reflecting the inclusion of SMHEA's transmission assets into TransGrid's regulatory asset base.

If you have any questions regarding the above decision please call me on 03 9290 1867.

Yours sincerely

Sebastian Roberts

A/g General Manager
Regulatory Affairs - Electricity