

Mr Mike Buckley
General Manager
Network Regulation North Branch
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

Dear Mr Buckley

Preliminary Positions – Matters Relevant to Distribution Determinations for ACT and NSW DNSP's for 2009-2014

This letter is in response to the above AER Preliminary Positions Paper which considers matters relevant to the ACT and NSW 2009-14 distribution determinations.

The positions taken by the AER with respect to matters raised in the Preliminary Positions Paper reflect the 'transitional Chapter 6' with a view to preserving key elements of the current frameworks that apply in the ACT and NSW. This is in recognition of the limited time available to consider alternative approaches to those in the 'general Chapter 6'.

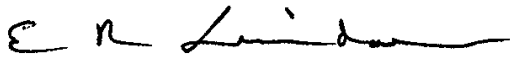
General Chapter 6, rather than Transitional Chapter 6, will apply to ETSA Utilities and the AER is engaging in a separate consultation process in this regard. Accordingly, with respect to most matters raised in the Preliminary Positions Paper, we are focusing on providing input into the consultation process for general Chapter 6 which has already been initiated by the AER.

In this respect, ETSA Utilities notes the AER comment that positions taken in the Preliminary Positions Paper will not be determinative of the AER's position under the general Chapter 6. We consider this to be appropriate.

One transitional matter that is as relevant to ETSA Utilities, as it is to the ACT and NSW distributors, is the transition from a pre-tax to a post-tax revenue model. We note that the AER does not propose releasing a separate guideline on the methodology for transiting to post-tax.

As promoted in the Derogations incorporated in the Rules, Clause 9.29.5 (b) (1), ETSA Utilities will shortly seek to engage with the AER as to the appropriate transitional arrangements to take into account the change from a pre-tax to a post-tax revenue model. We will contact your office shortly to begin this consultation process.

Yours sincerely

A handwritten signature in black ink, appearing to read "Eric Lindner". The signature is fluid and cursive, with a long horizontal stroke at the end.

Eric Lindner
General Manager Regulation and Company Secretary