

Ref. 2/140/31

10 October 2002

Mr Sebastian Roberts
General Manager
Regulatory Affairs – Electricity
Australian Consumer and Competition Commission
PO Box 1199
DICKSON ACT 2602

Dear Mr Roberts,

**SUBMISSION ON ACCC'S DRAFT DECISION OF
THE SOUTH AUSTRALIAN TRANSMISSION NETWORK REVENUE CAP**

Powerlink makes this submission in response of the ACCC draft decision on ElectraNet SA's application for revenue cap.

In an earlier submission (with regard to Meritec's opex report), Powerlink commented on the proposed treatment of refurbishment. Subsequent to this, Powerlink presented the case at the pre-decision conference held in Adelaide on 4th October 2002.

We continue to stress that the ACCC should apply its principles consistently and that these principles should remain consistent with established standards and practices (such as Australian Accounting Standards).

'Refurbishment' refers to expenditure that is associated with the overhaul of aged assets. There is refurbishment that increases the capacity or extends the life of assets and as such is capex. An example of this is replacing an aged transmission line. However, there is also refurbishment that is opex and does not extend the life of assets or upgrade capacity. An example of this class of refurbishment is the replacement of transmission line insulators and other hardware.

The distinction is consistent with Australian Accounting Standards. It was applied in the Powerlink revenue determination and both the ACCC and its consultants concluded that Powerlink's split between opex and capex was correct and consistent.

It is important that the ACCC is seen to apply its principles consistently across all decisions and that the ACCC does not deviate from Australian Accounting Standards and accepted practices.

Yours sincerely,

A handwritten signature in black ink that reads "Gordon Jardine". The signature is written in a cursive, flowing style. A small registered trademark symbol (®) is located at the bottom right of the signature.

Gordon Jardine
CHIEF EXECUTIVE

Enquiries: Frank Montiel Telephone: (07) 3860 2328