



Government
of South Australia

10 November 2004

Mr Sebastian Roberts
General Manager-Electricity
Australian Competition and Consumer Commission
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Dear Mr ~~Roberts~~ *Sebastian*

Thank you for your letter of 11 October 2004 inviting submissions in response to SPI PowerNet's (SPI) request for a waiver of the ACCC's transmission ring-fencing guidelines.

As you can appreciate, South Australia's main focus in this matter is to ensure the competitive generation and retail sectors, in which SPI has local interests, are not adversely affected by SPI's proposal to carry on its transmission and distribution business as a single entity. Whilst there is nothing in the information provided to suggest this risk would be heightened by granting the waiver, I would request that this broad concern be recognised by the ACCC in making its assessment.

With respect to the regulated distribution and transmission businesses, the arguments put forward by SPI to support its assessment of the public benefits (or potential public benefits) from the administrative synergies appear reasonable, although I note the potential savings being claimed are estimates only. There is also the broader issue of the extent to which the claimed efficiency benefits will actually be reflected in improved price, service and safety benefits for customers.

It is difficult to provide any further comment on the precise competitive impacts in the relevant markets, given the confidential nature of certain section 87B undertakings provided to the ACCC by SPI, as part of their recent purchase of TXU. I would presume the undertakings have satisfied the ACCC's vertical competition concerns regarding the operation of the competitive retail and generation markets and are unlikely to be undermined by acceptance of SPI's ring-fencing waiver.

I thank you again for the opportunity to comment. Should you have any queries or wish to discuss these comments further please contact me on (08) 820 41715 or Vince Duffy on (08) 820 41724.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Garry Goddard'.

Garry Goddard
Executive Director
Microeconomic Reform and Infrastructure