

11 April 2003

Mr Sebastian Roberts
Acting General Manager, Electricity Group
Regulatory Affairs Division
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Mr Roberts

Transend Revenue Cap Application

I am concerned about this application and its implications for electricity prices in Tasmania.
The main issues are –

1. The level of investment. Expenditure of \$330 million in the next five years compared with an asset base of \$603 million is extraordinarily high, especially for a small system like Tasmania serving a population of less than 500 000.
2. Basslink. In its submission to the Joint Assessment Panel on Basslink I questioned the expenditure that would be needed to augment and upgrade the transmission network if Basslink went ahead. Transend responded that ‘The only additional transmission infrastructure necessary to connect Basslink to the Tasmanian transmission network are connection assets required at George Town substation....[which] will be constructed and funded by BPL...’ (p.310, Basslink Joint Advisory Panel Final Report, June 2002). Now Transend is claiming Basslink as a major development that will significantly affect the transmission network (submission p.v) and as a new ‘fixed’ generation project which will require capital expenditure.
3. New generation. Transend lists new generation projects (p.50) that may require expenditure on the transmission system and notes the need to develop a methodology to allocate costs in line with benefits (p.57). Excluding Basslink, about 90% of the new generation capacity listed in Table 6.1 is underwritten by the Tasmanian government, directly or indirectly. The potential for shifting costs that should properly be allocated to the generation project to Transend is a major concern.

Yours sincerely

Senator Bob Brown
Australian Greens

Cc. Nick McKim MHA