

Corporate Development/Project Development
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Mr Sebastian Roberts
General Manager
Regulatory Affairs - Electricity
Australian Competition and Consumer Commission
GPO Box 520J
MELBOURNE VIC 3001

Dear Mr Roberts

Department of Sustainability and Environment Letter and Attachments

Thank you for the opportunity to comment on the Department of Sustainability and Environment's letter dated 31st July 2003 addressed to the ACCC and associated documents.

TransGrid understands that the ACCC sought the Department's views on the extent to which, if any, undergrounding of transmission lines is necessary for each of the four alternative network options to Murraylink given the debate about whether the options proposed by Murraylink involved works which it was not necessary to construct (or what is more commonly referred to as "gold-plating"). TransGrid believes that unfortunately the Department's response to the ACCC's request does not address this issue and as a result is of little assistance to the ACCC.

The Department's letter focuses on the impact Murraylink being an underground transmission line had on it obtaining the necessary environmental and planning approvals to proceed. TransGrid agrees that, given the particular route of the Murraylink interconnector, its construction as an underground transmission line was of considerable assistance in the project obtaining the necessary planning approvals.

However, that is a separate issue to whether the four other network options to Murraylink would obtain planning approval if they were constructed as overhead rather than underground transmission lines. Nor does it address whether another network option that delivers the same services as Murraylink, using a different route and overhead powerlines (at a significantly cheaper cost), would obtain planning approval.

TransGrid notes the view of Gary Niewand of the Department in his email to TransEnergie, that any application for the establishment of an overhead power line through Murray Sunset National Park would be considered on merit. He also specifically acknowledges that even if a particular infrastructure project will have a substantial effect on a national park, it may still be approved if the benefits of the project outweigh the benefits derived from the park. This planning approach recognises that ultimately, every project will include a careful balancing of a number of competing factors including in this case any environmental benefit from using underground transmission lines against the substantial increased cost of the project in comparison to a project using overhead powerlines.

Unfortunately, the Department's response does not provide the ACCC with any real assistance as to when it would impose a condition requiring that transmission lines be underground in order for a particular network project to be granted planning approval. It is obviously of even less assistance in relation to the attitude of other state and federal regulatory bodies. As the ACCC is aware, a condition requiring a transmission line to be undergrounded for environmental reasons is extremely unusual in Australia. TransGrid believes that this position has not changed and rejects any suggestion that the undergrounding of Murraylink sets any precedents. Given this, and the substantial additional cost which is involved in the construction of underground lines, (which, in the case of a regulated project, would be met by those paying

transmission charges) TransGrid considers that the ACCC should only proceed on the basis that such a condition will be imposed if there is compelling evidence that this is the case.

As a result, TransGrid considers that the ACCC, in its evaluation of Murraylink under the regulatory test, should not limit the alternative network projects to Murraylink to those which include underground transmission lines, and should include a project which delivers similar services to Murraylink using overhead transmission lines.

If the ACCC does not intend to adopt this approach, TransGrid would appreciate if the ACCC could explain the basis on which the ACCC considers its approach is justified given the additional costs it would impose on users of transmission systems and also what impact the ACCC believes its approach would have on the DORC valuation of existing transmission lines, particularly those in environmentally sensitive areas.

Yours sincerely

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