

23 May, 2018

Mr Grant Kari
Director
Infrastructure & Transport — Access & Pricing Branch
Australian Competition and Consumer Commission
GPO Box 520
Melbourne VIC 3001

By email: grant.kari@acc.gov.au

Dear Grant,

Re: December 2017 HVAU Variation

Further to the workshop held on 30 April 2018 with the ACCC, Customer Stakeholders and their representatives and ARTC and follow up correspondence, this letter reflects ARTC's position in addressing concerns raised by stakeholders in that workshop.

The key action from the workshop was for ARTC to propose drafting to address concerns raised in respect of the application of the proposed dual ceiling in future versions of the HVAU beyond the expiry of the current version on 31 December, 2021.

Following consultation with its customers and their legal representative, ARTC is happy to further amend the HVAU by inserting a new Clause, 2.3 (e) which states:

The separate Ceiling Limit and Constrained Network in relation to Pricing Zone 3 has been included in the Varied Undertaking to provide certainty and transparency as to the treatment of incremental costs for the remaining term of the Varied Undertaking and is not to be taken as the mechanism which will necessarily be included beyond the current term. ARTC will review the terms to apply for a revised HVAU post 2021, having regard to (but not limited to) relevant circumstances at that time including whether any, or all, of the elements of the current pricing approach are or continue to be appropriate for all stakeholders at the point in time when loss capitalisation in Pricing Zone 3 ends.

As it has done in the past, ARTC will engage with its customers in respect of the effectiveness and efficiency of the operation of the HVAU to ensure it has maximized the ability to achieve stakeholder consensus of any renewed HVAU submitted to the ACCC for approval to replace the current HVAU on its expiry. ARTC expects this process would commence in the second half of 2019, and include a consultation with stakeholders, among other things, relating to the ceiling mechanism and pricing approach to operate upon PZ3 becoming constrained having regard to the objectives of the HVAU and

the circumstances at that time. Further details on timing and scope will become clearer at the relevant time.

If you have any further questions in respect of this letter, please do not hesitate to contact me to discuss them.

Yours sincerely



Jonathan Teubner
Manager, Economic Regulatory Development