



27 April 2001

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

Dear Mr Rawstron

**Proposed Derogations to the National Electricity Code (the “Code”)
Transition to Full Retail Competition (“FRC”)**

This is a submission made by AGL, Citipower, Powercor, TXU Australia and United Energy (the “Victorian DBs”) in response to the application of the Victorian Department of Natural Resources and Environment (“DNRE”) for derogations to the Code to support FRC dated 19 March 2001.

The Victorian DBs had an opportunity to consider a draft of the application and the matters contained in the application in support of the proposed derogations. Accordingly, the application already canvasses the matters which the Victorian DBs would put in support of the proposed derogations and we do not propose to repeat them here.

We do, however, wish to emphasise that the Victorian DBs regard the proposed exclusivities as necessary to ensure that FRC commences:

- as soon as possible with a cost structure which promotes customer choice; and
- in a manner which minimises the complexity of the FRC operational environment and so the implementation risk surrounding FRC.

The proposed derogations will remove the risk of delay to the start of FRC which would arise from the need for all participants to develop and implement the extra systems and processes referred to in the application. Importantly, the derogations will assist the achievement of meter and data services availability for the start of FRC. Furthermore, these services will be available at a cost which is both minimised overall and to switching customers, thus enhancing effective competition.

If the complexity of competitive meter and data services provision were added to the already major changes that come with FRC, there is a significant risk of customers encountering process breakdowns. This would result in failed customer expectations that a transfer will be quick and smooth and occur on a given date without any interruptions or billing problems. As noted by

DNRE, this would have the effect of undermining customer confidence in FRC and deter customers from exercising retail choice.

For the reasons noted in the application and again in this submission, the Victorian DBs support DNRE's application for derogations to the Code to support FRC.

Yours sincerely,

Rolf Herrmann
Chair, Victorian DBs Legal & Regulatory Committee