

12 September 2003



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

Our ref: BN008/0396/0082

E-mail: electricity.group@accc.gov.au

Dear Mr Roberts

**Application for Authorisation - Improvements to Prudential Framework and
Amendments to Settlement Residue Auction Arrangements**

We refer to the above Application for Authorisation ("Application") released by the Australian Competition and Consumer Commission ("ACCC") for comment by 25 June 2003.

We thank you for the opportunity to provide comments on the Proposal and ask that you accept this letter as a submission from Ergon Energy Pty Ltd ("Ergon Energy") on the issues raised.

Payment Default Procedures

We refer to the amendment to clause 3.15.21(b)(1) which amends the current period for remedying a default under a default notice from within 24 hours to 1pm the next business day following the issue of the default notice.

This amendment has the potential to increase credit risk exposure in circumstances of a default notice being issued on a Friday, or the occurrence of a "prudential event" on a Saturday. Under the current 24 hour period the funds the subject of the default notice only continue to be at risk for a period of 24 hours. However under the new proposal, this would be extended until 1pm on Monday, leading to an increase in the period of the exposure from 24 to approximately 72 hours.

In the absence of any compelling evidence that the proposed amendment delivers any additional benefit to the market, due to the potential increase in exposure in the circumstances outlined above, we are of the view that the amendment should not proceed and that the current timeframe for remedying default notices, being 24 hours, should remain. We consider that on balance the public benefit is best served by ensuring that any default should only continue for as short a period as possible.

General Issues

We note that a new definition, "Sydney Time", has been included as part of the Proposal.

We do not consider it necessary to create an additional definition for time in the National Electricity Code ("Code"), when one currently exists and has been in existence since the inception of the Code. Ad hoc changes to definitions that will apply to specific provisions of the Code only have the potential to lead to unnecessary confusion and ambiguity, particularly with respect to the concept of time. This amendment fails the test of consistency of drafting and is contrary to Market Participants established understanding of the definition of time in the Code. Accordingly Ergon Energy is strongly opposed to this amendment and recommends that the existing definition of time in the Code should prevail with respect to the prudential provisions of the Code.

If required we would welcome the opportunity to discuss our comments with you at your convenience.

Should you have any queries, please feel free to contact me directly on (07) 3228 8134 or Michael Callow on (07) 3228 8259.

Yours faithfully

Rebecca Myers
Energy Regulation Manager