



20 October 1999

Mr Michael Rawstron  
General Manager  
Regulatory Affairs – Electricity  
ACCC  
PO Box 1199  
Dickson ACT 2602



*By facsimile and email 02 6243 1260*

Dear Michael,

### **NECA Proposed Code Changes - Network Bypass and TUoS Discounts**

In GPU PowerNet's submission to ACCC in relation to the Network Pricing Code Changes proposed by NECA, the Company indicated that it was not in a position to make comment on the issues of network bypass and TUoS discounts. In light of discussions with other Victorian stakeholders, the Company would now like to complete its response to ACCC.

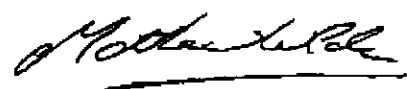
Based on economic theory, GPU PowerNet believes that discounting TUoS fixed charges to retain or attract grid users and recovering any shortfall from other grid users is efficient. Compared with the situation in which a major customer either does not connect, closes down or relocates as a consequence of not being able to discount, other grid users will in fact be better off if TUoS discounting is allowed. Even if assets are optimised down, economies of scale mean that the average cost of capacity utilised will increase if the overall capacity utilisation decreases.

While the economic merits of TUoS discounting are readily apparent, GPU PowerNet believes that there would be many practical difficulties in successfully negotiating TUoS discounts, both for TNSPs and their customers. To aid all concerned, ACCC should consider setting out some economic principles to guide when and how discounts should be provided. In the absence of such guidance, it is quite possible that many negotiations may end up in a stalemate or a dispute.

ACCC  
- 7 NOV 1999

If you any questions about our comments on TUoS discounting, please don't  
hesitate to contact me on telephone 03 9658 6312.

Yours sincerely,



Matthew Cole  
Manager Regulation