

30 May 2003

Mr Gary Henry  
Queensland Competition Authority  
GPO Box 2257  
Brisbane QLD 4001

Our Reference: BN008/0570/0019

Dear Mr Henry,

### **ELECTRICITY DISTRIBUTION – VALUATION OF EASEMENTS**

We refer to the Discussion Paper titled "*Electricity Distribution – Valuation of Easements*" ("the Paper"), released for comment by the Queensland Competition Authority ("QCA") for response by 30 May 2003. We thank you for the opportunity to provide comment and ask that you accept this letter as Ergon Energy Pty Ltd's ("Ergon Energy Retail") response to the proposed easement valuation options.

As a general comment, Ergon Energy Retail supports the continued application of the historical cost or indexed historical cost methodology for valuing easements owned by Distribution Network Service Providers ("DNSPs").

In relation to the proposed easement valuation methodologies detailed by the QCA in the Paper, Ergon Energy would like to make three broad comments.

- We agree with the QCA's comment that the treatment of easement assets as sunk costs would create a poor incentive for asset owners to invest in the future. Consequently, we do not support the application of a zero value methodology for valuing easements.
- We believe that there should be no material price shock, irrespective of the easement value methodology applied.
- We believe that any increase in prices should be smoothed over an appropriate period of time to ensure that customer are not exposed to adverse price shocks.

Should you have any queries or wish to discuss the matter further, please do hesitate to contact Kelly Madden on (07) 3228 8298.

Yours sincerely,

**Rebecca Myers**  
**Energy Regulation Manager**  
**Strategic Relations**