



Ref: JC:JC:C292876

7 May 2007

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box H166
Australia Square NSW 1215

Dear Dr Tamblyn

Economic Regulation of Transmission Services Undertaken by Distributors

Country Energy appreciates the opportunity to respond to the Australian Energy Market Commission (AEMC) on the rule change proposal (the proposal) submitted by EnergyAustralia on 21 March 2007.

As part of our response to the AEMC's recent review of Chapter 6A of the Rules, Country Energy requested that the AEMC consider incidental transmission assets owned by a distribution network service provider (DNSP). Country Energy reiterates its view that transmission assets that are immaterial or incidental to the operation of a DNSP's distribution network should have the ability to be deemed by the DNSP, after agreement with the Australian Energy Regulator (AER), to be subject to the economic regulatory arrangements for distribution services.

EnergyAustralia's proposal effectively achieves this desired objective. Country Energy therefore supports the proposal and believes it is likely to contribute to the National Electricity Market (NEM) Objective for the benefit of all stakeholders, by reducing duplicative and inefficient regulatory processes. The proposal will significantly reduce regulatory compliance costs for DNSPs, the AER and other stakeholders who would normally have to participate in separate regulatory determination processes.

The proposal is consistent with national market reform developments by placing emphasis on the service that is offered rather than technical definitions. Country Energy believes that assets owned by DNSPs that provide the main service of securing supply for the distribution network should be treated as distribution assets.

Country Energy would be pleased to discuss the matters raised in this submission with the AEMC. If you require further information or clarification in relation to this submission please feel free to contact Jason Cooke on 02 6338 3685 or myself on 02 6589 8419.

Yours sincerely

Natalie Banicevic
General Manager Regulatory Affairs