



**FOR A BETTER WORLD**

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Project Number: EPR0019  
The Australian Energy Market Commission  
P.O Box A2449  
SYDNEY SOUTH NSW 1235

29<sup>th</sup> September 2010

Dear Madam/Sir,

**Re: Visy Comments on Transmission Frameworks Review Issues Paper**

Visy welcomes the opportunity to comment on the AEMC's Issues Paper concerning the Transmission Frameworks Review.

Visy, like other major energy using companies in Australia have been hard-hit by the latest round of economic regulatory determinations concerning transmission and distribution networks pricing reviews, which have resulted in unprecedented and excessive increases in network charges.

Based on Visy's review of these economic regulatory determinations, the Network Rules, without any shadow of doubt, have over-incentivised network investments.

The provisions in the Rules that have caused these unprecedented increases in inefficient network investments by constraining the Australian Economic Regulator in many regulatory functions are:

- Removal of the AER's ability to optimise assets prior to rolling in assets into the Regulatory Asset Base.
- Removal of the AER's ability to conduct ex-post prudency/audit tests.
- Unrestrained use of ex-ante capital allowance in any way network businesses see fit.
- No 'least cost' approach in implementing capital investment expenditures.

Visy is especially concerned that the current Rules do not allow the AER to remove redundant assets from the RAB. Implementation of Climate Change Policies will result in much redundant assets including in transmission and distribution networks. Requiring consumers to pay for these redundant assets in perpetuity will not be "in the long term interests of consumers" and, therefore, is inconsistent with the National Electricity Objective.



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Visy also considers that the Review must examine and recommend better locational signals for generators and loads and have more efficient allocation of costs, as between generators and loads, and a review of the current inefficient allocation of cost factors, all of which have disadvantaged energy consumers.

Visy is willing to expand on the issues above.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "R. deSousa". The signature is fluid and cursive.

(Royce DeSousa)  
GM – Energy & Sustainability  
Visy.