

Our Ref: 48709
Your Ref: ERC0143
Contact Officer: Scott Sandles
Contact Phone: (03) 9290 1487

7 August 2012

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Pierce,



ASSUMED UTILISATION OF IMPUTATION CREDITS (ERC0143)

The Australian Energy Regulator (AER) welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) draft rule determination on the assumed utilisation of imputation credits.

The AER supports the AEMC's draft decision not to make a draft rule. The AER agrees with the AEMC's position that all WACC variables need to be assessed at the one time. Assessing a single variable without considering the effect on the other WACC variables would not contribute to the achievement of the National Electricity Objective. This is consistent with the views expressed in stakeholders' submissions.

The AER considers that the decision not to make the rule will avoid the undesirable circumstance where individual elements of the rate of return are assessed on an 'ad hoc' basis. Gamma, like all the other interrelated variables, will be reviewed at the next periodic WACC review. As noted in the draft determination, the *Economic Regulation of Network Service Providers* rule change is currently considering the rules under which gamma and other parameters are determined and the ability for the AER to initiate a periodic WACC review.

If you would like to discuss any aspect of this submission please contact Scott Sandles, on (03) 9290 1487.

Yours sincerely



Michelle Groves
Chief Executive Officer