

5 September 2007

Australian Energy Market Commission
PO Box H166
Australian Square NSW 1215

submission@aemc.gov.au



Dear Sir/Madam

National Transmission Planner

ENERGEX appreciates the opportunity to respond to AEMC's Scoping paper on National Transmission Planning Arrangements.

ENERGEX has no specific comments on the proposed arrangements to establish a National Transmission Planner but notes that the scoping paper has identified the Regulatory Test as a related issue.

In this regard, ENERGEX notes that there are currently 4 separate consultations in progress that directly or indirectly affect the issue of the Regulatory Test, namely:

- AEMC's "*National Transmission Planner National Transmission Planning Arrangements: Scoping Paper*" (August 2007);
- AER's "*Proposed Regulatory Test Version 3*" (July 2007) and "*Proposed Regulatory Test Application Guideline*" (July 2007);
- MCE/SCO "*Draft Chapter 6 Rules*" (April 2007); and
- MCE/SCO release of the independent report by NERA/ACG on "*Network Planning and Connection Arrangements – National Frameworks for Distribution Networks*" (August 2007).

ENERGEX's observation is that the policy debate on Regulatory Test over the last two years has been conducted without any reference of the application to DNSPs. From this, it appears that the regulatory tests that are currently being developed by the AER and the AEMC are solely intended to apply in the context of the transmission network planning environment.

ENERGEX is particularly concerned that the application of the Regulatory Test to a DNSP is not clearly articulated. Compared to transmission, there are a larger number of distribution projects driven generally by demand growth, reliability and asset replacement requirements. The formal application of the regulatory test for DNSPs is an onerous requirement given the shorter planning horizon, lack of economically viable alternative options and volume of projects undertaken.

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We are therefore keen to engage in further discussions with the AEMC and the AER on this matter. ENERGEX believes that an alternative set of rules relating to distribution network expansion that incorporates a robust cost benefits analysis would be more appropriate.

Yours sincerely

A handwritten signature in black ink that reads "Kevin Kehl". The signature is written in a cursive, slightly slanted style.

Kevin Kehl
Director Revenue Strategy