



Ref.: JD/AC

21 June 2012

Mr John Pierce
Australian Energy Market Commission
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Dear Mr Pierce

ERC0137 – AEMC’s Draft Rule Determination - Cost pass through arrangements for network service providers

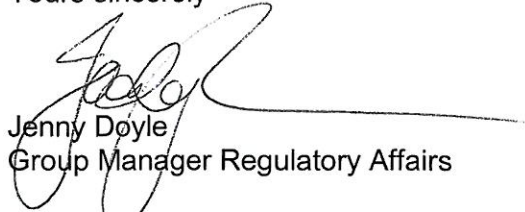
Ergon Energy Corporation Limited (Ergon Energy) appreciates the opportunity provided by the Australian Energy Market Commission (AEMC) to provide comments on the *Draft Rule Determination National Electricity Amendment (Cost pass through arrangements for network service providers) Rule 2012* (the Draft Rule). This submission is provided by Ergon Energy in its capacity as a Distribution Network Service Provider in Queensland.

At a high level, Ergon Energy supports the AEMC’s Draft Rule. Ergon Energy repeats our earlier sentiments that we are proactive in our risk management approach and consider that risk management is part of the necessary steps a prudent operator would take in their provision of Distribution Services. In saying this, Ergon Energy generally agrees with the AEMC’s reasons for making a more preferable rule. However we note that the AEMC has removed the “terrorism event” from the statutory pass through events for both distribution and transmission businesses. Although we support the fact that cost pass throughs are the last option available with respect to risk management for network service providers, we do not think that “terrorism events” should be excluded from the statutory cost pass throughs events. These are events for which network service providers need regulatory certainty and should therefore be given the opportunity to recover these costs, rather than having to nominate these events through the regulatory proposal process.

Ergon Energy has identified a terminology concern in the Draft Rule’s definition of *nominated pass through considerations*. Nominated pass through consideration (d)(2)(ii) refers to the “.....potential loss.....”. For consistency, Ergon Energy recommends that loss be replaced with cost. The *National Electricity Rules* cost pass through provisions refer to costs imposed on the service provider rather than the loss imposed on a service provider.

Ergon Energy looks forward to providing continued assistance to the AEMC in its consultation on the Grid Australia’s Rule change request on Cost pass throughs. Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 4092 9813 or Alena Christmas on (07) 3228 8272.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jenny Doyle', with a long horizontal line extending to the right.

Jenny Doyle
Group Manager Regulatory Affairs

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