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The Chairman  
Australian Energy Market Commission  
PO Box H166  
AUSTRALIA SQUARE NSW 1215

16 October 2006

Dear Dr Tamblyn

### **Obligations of Network Service Providers – Connection Applications**

Integral Energy welcomes the opportunity to comment on the above proposed Rule change initiated by Energy Solutions Australia Pty Limited (Energy Solutions). The proposal seeks to place an obligation on Network Service Providers (NSPs) to act as managers and administrators of a contestable services scheme.

Integral Energy supports competition in the National Electricity Market (NEM) and the provision of contestable services, however considers that the proposed Rule change fails to promote efficient and effective use of electricity services in accordance with the NEM objective. As a general principle, Integral Energy believes that network resources should be focussed on delivering a safe and reliable electricity supply, rather than being required to act as an administrative agent for a contestable service provider scheme.

#### ***NEM Objective***

Integral Energy notes the proposed amendments to the Rules are inconsistent with the NEM objective *“to promote efficient investment in, and effective use of, electricity services for the long term interests of consumers of electricity”*.

The proposed amendments require the NSP to:

- a) maintain a register of names and contact details of parties who have advised the NSP that they are able to provide a particular category of contestable service;
- b) identify the name and contact details of Connection Applicants to parties to provide contestable services; and
- c) make available to Connection Applicants the names and contact details of service providers who have advised the NSP that they are able to provide a particular category of contestable service.

Of itself, the maintenance of a register of names and contact details of parties who have advised the NSP that they are able to provide a particular category of contestable service does not fall within the definition of an electricity service as it is neither necessary nor incidental to the supply of electricity to consumers. The supply of electricity does not necessitate the maintenance of a register of names and contact details and, as the register is not subordinate or additional to the supply of electricity, it is not incidental to the supply of electricity to consumers.

Information asymmetries would not be substantially addressed through the provision of names and contact details of service providers and consenting Connection Applicants. Whilst some information would be provided, this information is imperfect and its benefits doubtful, as Connection Applicants would continue to incur costs in seeking the particulars and detailed costs of service provision.

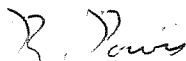
The maintenance of a register by NSPs and the provision of names and contact details to both Connection Applicants and providers of contestable services would represent an additional administrative cost to NSPs, which would in turn increase costs to consumers. In addition, the NSP would incur higher risk from increased legal exposure as a direct result of its administration of the scheme.

The proposed Rule change also fails to recognise existing NEM jurisdictional arrangements for accreditation of service providers of contestable services and the institutional processes to accommodate them. For example, under the *Electricity Supply Act, 1995* and *Electricity Supply (General) Regulation 2001*, service providers must be accredited in order to provide a contestable service in NSW.

Integral Energy is concerned that these fundamental issues on the provision of contestable services have not been addressed. Consideration of the economic impact of the proposed Rule changes on the long term interests of consumers is a significant omission. The proposed Rule change is not supported by any quantitative analysis and fails to demonstrate that it meets the NEM objective. Accordingly, Integral Energy submits that the proposed Rule change be dismissed.

Should you wish to discuss the issues raised in this letter, would you please contact Erik Beerden, telephone number (02) 9853 6904.

Yours faithfully



Richard Powis  
**Chief Executive Officer**