

Ref: N02.03.01

26th March 2013

Ms Tara D'Souza
Adviser
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Ms D'Souza,

Re: Proposed change of the National Electricity Rules AEMC Reference: ERC0150

We apologise for the lateness of our response to the proposed rule changes and trust you will still consider our input to the process.

WSROC welcome the opportunity to respond to the Australian Energy Market Commission (AEMC) consultation paper in relation to the proposed amendment by Trans Tasman Energy Group (TTEG) regarding the cost allocation method (CAM).

Trans Tasman Energy Group has proposed that:

- the CAM be subject to public consultation by the Australian Energy Regulator (AER)
- the CAM be subject to greater transparency by requiring it to contain numeric values against the cost allocators, and
- a negotiated price must be based on the cost of providing the service, determined in accordance with the CAM.

WSROC welcomes the proposed Rule change as it provides provides greater transparency and consultation through the regulatory process.

Whilst recognising the allocated value for an activity may vary between distributors, as the basic distribution activities are similar for all distributors we propose a standardised list of activities be included in a proforma cost allocation method, issued via the AER, and applied to all distributors.

We see particular benefits from the proposed Rule change for Negotiated Distribution Services.

Whilst recognising the role of the distributor's Negotiation Framework, we note pursuant to NER 6.7.1 "the price for a *negotiated distribution service* should be based on the costs incurred in providing that service, determined in accordance with the principles and policies set out in the *Cost Allocation Method* for the relevant *Distribution Network Service Provider*".

Without clearly identified activities and costs establishing the distributor's compliance *with* *NER 6.7.1* becomes problematic for the customer, as does establishing the distributor's compliance with *NER 6.7.5(c)(3)* which requires the distributor to demonstrate cost reflectivity.

We also support the proposed Rule change to *NER 6.7.1(1)* which proposes negotiated prices "must" be based on the cost of providing the service

WSROC would be pleased to discuss any aspect of this submission with the AEMC. Please contact our Mr Mal Ackerman on 02 9671 4333.

Yours sincerely,



Kerry Bartlett
Chief Executive Officer