

2 June 2008



Dr John Tamblyn
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Email: submissions@aemc.gov.au

Dear Dr Tamblyn

National Transmission Planning Arrangements Draft Report

ENERGEX Limited (ENERGEX) welcomes the opportunity to comment on the Australian Energy Market Commission's (Commission) National Transmission Planning Arrangements Draft Report. This submission is prepared by ENERGEX in its capacity as an electricity distribution network service provider (DNSP) in Queensland.

ENERGEX agrees with the Commission's position that having two separate project assessment processes will not prevent joint planning from continuing. ENERGEX currently engages in joint planning with Powerlink and as the Commission is well aware, DNSP and transmission network service provider (TNSP) network development requirements can be considerably different. Therefore, ENERGEX urges the Commission to ensure that the framework for the separate regulatory tests is clearly articulated in the *National Electricity Rules* (the Rules) to clarify which regulatory test should be applied in the joint planning process.

The Draft Report considers that the alignment of transmission and distribution revenue determinations within a particular geographic area may have merit and notes that a more detailed review be undertaken. ENERGEX does not support the alignment of transmission and distribution re-sets as it is concerned that such an alignment could result in a 'one size fits all' regulatory approach due to resourcing constraints on the regulator. ENERGEX fails to see how this approach would be beneficial to the market objective, with the costs of alignment outweighing any benefit.

ENERGEX notes that the Commission's Draft Report has proposed to replace the Regulatory Test with the Regulatory Investment Test for Transmission (RIT-T), which is structured for TNSPs only. ENERGEX's concern is that the policy debate regarding the Regulatory Test over the last few years has been conducted with very little consideration of the appropriate application to DNSPs. As such, ENERGEX strongly believes that the Commission should ensure that any proposed changes to the Regulatory Test that may impact on DNSPs is open to appropriate public consultation and is structured for DNSP purposes. In addition, ENERGEX believes that the AER should consider reviewing its Regulatory Test and Application

Enquiries
Sarah Connolly
Telephone
(07) 3407 4367
Facsimile
(07) 3407 4608
Email
sarahconnolly
@energex.com.au

Corporate Office
150 Charlotte Street
Brisbane Qld 4000
GPO Box 1461
Brisbane Qld 4001
Telephone (07) 3407 4000
Facsimile (07) 3407 4609
www.energex.com.au

ENERGEX Limited
ABN 40 078 849 055

Guidelines to reflect the proposed changes and to further clarify how the Regulatory Test will apply to DNSPs.

ENERGEX is particularly concerned that the proposed RIT-T does not address previous public submissions in relation to raising the threshold for public consultation, in particular, ETNOF's 2007 Regulatory Test Thresholds Rule Change Proposal. Since 2001, there have been substantial increases in the input cost of materials used in transmission and distribution assets and in construction labour costs. ENERGEX is supportive of raising the Regulatory Test thresholds applicable to TNSPs and DNSPs to reflect more realistic levels and market efficiency. ENERGEX strongly believes that this issue should be thoroughly addressed by the Commission.

ENERGEX looks forward to engaging in further discussions with the Commission on this matter with the intention of developing an alternative set of distribution network expansion rules, which are appropriate for distribution purposes.

Please do not hesitate to contact me on (07) 3407 4161 should you wish to discuss this submission further.

Yours sincerely

A handwritten signature in black ink, appearing to read "L. Dwyer". The signature is fluid and cursive, with a long horizontal stroke at the end.

Louise Dwyer
Group Manager Regulatory Affairs