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By email: [aemc@aemc.gov.au](mailto:aemc@aemc.gov.au)

Dear Dr Tamblyn

### **Proposed Rule Change - Connection Applications**

This submission by AGL Electricity (AGLE), in its capacity as a DNSP, addresses the Rule change proposed by Energy Solutions in its 14 July application to the Commission. Energy Solutions explains the intent behind its proposed Rule change as being to reduce the competitive advantage enjoyed by the incumbent Network Service Providers (NSPs) and therefore facilitate the competitive provision of contestable connection services.

The changes in the proposed Rule involve two main elements. The first is the creation of two registers: one of service providers able to undertake connection services and the other of connection applications. The second element is a requirement to include the contact details of connection contractors to Connection Applicants as part of the information provided in response to a Connection Application.

AGLE notes that clause 5.3 of the NER would generally only apply to Connection Applications from Registered Participants in the NEM. However it also may be applied by "any other person wishing to establish ..... a connection to a network". It is likely that connection applicants that are not Registered Participants will only seek to apply the process under clause 5.3 of the NER where the connection is of sufficient size and cost to warrant the effort and cost involved. Nevertheless the expected number of such connection applications in a year can be expected to be considerable and the number of contractors to be accredited by the NSP and for which accreditation will need to be maintained will also not be small.

AGLE opposes the proposed Rules change in relation to customer connections to distribution networks. AGL recognises the intention in the NER, that where services can be subject to competition that they should be made contestable (subject to jurisdictional arrangements and derogations) and that it is appropriate to provide a level playing field for contestable connection services. However, it is AGL's view that this proposal will not enhance competition in connection services for customer connections to distribution networks and that the costs of such the proposed Rule change will exceed the benefits.

There are three significant reasons for this view.

#### **There are already effective jurisdictional arrangements in place**

Each of the jurisdictions already has arrangements to facilitate competition for contestable works that are effective and would be more effective than what is proposed. The arrangements are as follows:

- NSW – has a system of Accredited Service Providers (ASP) for contestable works which is operated by the Department of Energy, Utilities and Sustainability (DEUS) under the NSW Electricity Supply Act. Customers are able to choose their ASP to undertake connection work from a list of ASPs maintained by DEUS.
- Victoria – connections and contestability are regulated under Guideline No. 14. This requires DNSP's to tender for connection works before making a connection offer.

- SA – The Electricity Distribution Code provides that customers have, and must be advised of, the right to tender for connection work.
- Queensland – Queensland has not included connection services as contestable service, but has included connection services as regulated services that are regulated by under the DNSP's revenue cap.

AGLE submits that each of these arrangements will provide for more effective competition for connection services than that proposed by Energy Solutions.

**To introduce this Rule change would not only be unnecessary but would also be confusing and duplicative.**

Given the existing jurisdictional arrangements the Energy Solutions proposal would result in regulatory arrangements under the NER that effectively duplicate or overlap the separate jurisdictional electricity industry legislation. This would not only add to the costs of the businesses, but would create confusion for customers seeking connection to the distribution system.

**The costs of implementing the proposed Rule change are likely to significantly outweigh any benefits.**

The proposed Rule change would require DNSPs to develop processes and systems for maintaining registers for connection applications, connection contractors and for ensuring information is provided to connection applicants, which currently are not required. Given the jurisdictional arrangements for connections currently in place the cost of such arrangements will clearly not add any competitive benefits. Significantly, the proposed solution is likely to have the effect of resulting in less competition compared to the existing arrangements, but will involve additional cost for the new systems and processes.

In summary, AGLE submits that the Rule change would not bring the benefits suggested by Energy Solutions in relation to DNSPs and should not be accepted by the Commission.

As a final comment I wish to draw to your attention the recent agreement between The Australian Gas Light Company (AGL) and Alinta to swap certain assets. This arrangement has now been approved by AGL's and Alinta's shareholders and the Federal Court and will take effect from 25 October 2006. A significant element of this arrangement is the transfer of AGL's infrastructure assets to Alinta. Consequently AGL's interest in regulatory issues as an owner of energy infrastructure will cease from that date. However, as Alinta is acquiring these assets it will be appropriate for any ongoing dialogue should be held with the personnel moving to Alinta.

Should the Commission require clarification on any part of the submission please call Chris Harvey on 02 9921 2601.

Yours sincerely,

Robert Wiles  
General Manager Regulation and Policy