

14 March 2013

Mr John Pierce  
Chairman  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

Via website: [www.aemc.gov.au](http://www.aemc.gov.au)

Dear John

**Submission on Consultation Paper – ‘Changes to Cost Allocation Method Rules Change Request (ERC0150)**

Grid Australia welcomes the opportunity to make this submission to the Australian Energy Market Commission (AEMC) on the ‘Changes to Cost Allocation Method’ Rules Change request submitted by the Trans Tasman Energy Group (TTEG).

The request relates specifically to negotiated distribution services. However Grid Australia notes that the AEMC has asked in its Consultation Paper whether the problems identified by TTEG are also present in the regulatory framework for transmission.

Grid Australia considers that the regulatory framework for transmission provides an appropriate basis for establishing and amending a TNSP’s Cost Allocation Methodology (CAM). This includes how the CAMs are to be established, the Rules principles to which the AER’s Cost Allocation Guidelines (Guidelines) and TNSPs’ CAMs must give effect and the process by which these may be amended from time to time. The Rules also require that, once approved, each TNSP must maintain a current copy of its CAM on its website.

It should be noted that a lengthy public consultation process was conducted by the AER prior to finalising its Guidelines, which set out the arrangements to manage the attribution of costs by TNSPs between and within different categories of transmission services. TNSPs were then required to follow the AER’s Guideline requirements to achieve the respective AER approved CAMs relevant to each TNSP today.

Grid Australia considers that the AER has the necessary discretion to ensure a CAM meets the intent of the Cost Allocation Principles in the Rules. In addition, confidence in the application of the CAM by each TNSP is provided via compliance obligations on network service providers, including through due diligence in the annual process of preparing and submitting regulatory financial statements to the AER, as well as during a transmission determination process.

Please do not hesitate to contact Norman Jip, Market Regulation Manager, TransGrid on (02) 9284 3490 if you wish to discuss any aspect of this submission.

Yours sincerely



Rainer Korte  
**Chairman**  
**Grid Australia Regulatory Managers Group**