

27 August 2015

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Pierce,

RE: AEMC Aligning Network and Retail Tariff Structures for Small Customers, Rule Determination (ERC0175)

The NSW Distribution Network Service Providers, Ausgrid, Endeavour Energy and Essential Energy (the NSW DNSPs) welcome the opportunity to support the AEMC's draft rule determination to not make the *National Electricity Amendment (Aligning Network and Retail Tariffs for Small Customers)* proposed rule.

In our submission to the consultation paper, we stated that there was no demonstrated need for the proposed rule changes in light of the recent amendments to the rules made as part of the 2014 Distribution Network Pricing Arrangements Rule determination. In particular, we stated that the consumer impacts principle is a superior approach to the transition of consumers to cost reflective network pricing than proposed in the Aligning Network and Retail Tariffs rule change (which we note was submitted to the AEMC during the development of the 2014 Distribution Network Pricing Arrangements rule change).

Our submission also demonstrated that the proposed changes, if made, would result in outcomes contrary to the long term interests of consumers and the National Electricity Objective (NEO) as well as the network pricing objective. Specifically, we demonstrated that the proposed changes would:

- impose unnecessary regulatory burden on DNSPs - resulting in higher administrative and compliance costs for DNSPs, which ultimately flows back through to consumers in the form of higher energy prices;
- undermine efficient network pricing - resulting in inefficient investment in, and use of, electricity services, thus furthering the underutilisation of network assets and embedding cross subsidises; and
- inappropriately transfer risks to DNSPs who have limited ability to manage this risk - this may undermine DNSP's ability to ensure the quality, reliability and supply of electricity service to consumers.

In summary, we agree with the AEMC that transferring responsibility for the design of network tariffs from DNSPs to state/territory governments (through DNSPs being required to match standing offer prescribed retail tariff structures) is unnecessary and would inhibit DNSPs from efficiently transitioning to cost reflective network pricing. As such, we are comfortable that the AEMC's draft determination (and the subsequent policy reasons underpinning it) address the concerns raised in our submission to the consultation paper. We support the AEMC's decision not to make the proposed rule and consider this outcome to better achieve the NEO.

If you have any queries or wish to discuss further please contact Mike Martinson, Group Manager Regulation at Networks NSW on (02) 9249 3120 or via email at michael.martinson@endeavourenergy.com.au.

Yours sincerely,



Joseph Pizzinga
Group Chief Financial Officer
Ausgrid, Endeavour Energy and Essential Energy