

16 October 2014

John Pierce
Australian Energy Market Commission
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Lodged online: www.aemc.gov.au

Dear John

Distribution Network Pricing Arrangements Draft Rule (ERC0161)

Grid Australia welcomes the opportunity to respond to the Distribution Network Pricing Arrangements Draft Rule Determination. Grid Australia members are responsible for the annual calculation of transmission prices for distribution and direct connect customers throughout the National Electricity Market.

Grid Australia has previously lodged submissions¹ on the Annual Network Pricing Arrangements Rule and during this Rule change process and is broadly supportive of the intent of the draft Rule. This submission is limited to those matters of particular concern to transmission network service providers (TNSPs).

The Commission's preference for earlier publication of annual transmission prices

Grid Australia notes the Commission's draft determination to place a higher priority on the earlier publication of annual transmission prices over additional volatility of transmission prices.

In order to achieve the proposed earlier transmission price publication date of 15 March, TNSPs will be required to place greater reliance on forecast information which is likely to result in additional volatility in transmission prices and revenue recovery. Under the current framework, as TNSPs are revenue capped, the associated annual under or over recovery of revenues will be reflected in prices for subsequent years.

¹ Grid Australia submission on Annual Network Pricing Arrangements Rule 2013 Consultation Paper (ERC0149) – 5 July 2013 and Grid Australia submission on the Distribution Network Pricing Arrangements Rule 2014 consultation paper (ERC0161) – 19 December 2013

The provision of information to Co-ordinating Network Service Providers

In order to meet the earlier dates for both the exchange of modified load export charges (MLEC) for inter-regional transmission charging (of 15 February) and the subsequent publication of prices (by 15 March), TNSPs are dependent on the provision of inputs by third parties.

A Co-ordinating Network Service Provider (CNSP) is responsible for setting transmission prices, not only for its own transmission connection points, but also for the transmission connection points of all other TNSPs within its region. This co-ordinating function enables TNSPs to recover prescribed revenue (approved by the Australian Energy Regulator) through those transmission prices.² As part of this co-ordinating function, a CNSP must update not only its own network models and asset information as part of the transmission pricing models, but also incorporate the network and asset information from other TNSPs within the region. This process is necessarily iterative between those TNSPs.

Under the current Rules, there is no date by which information must be provided by other TNSPs to a CNSP to perform this function.³ To achieve the 15 February date for inter-regional transmission charging, Grid Australia considers that the Rules should also include a date by which final network models and asset information together with estimated revenue requirements suitable for the calculation of inter-regional transmission charges are provided by TNSPs to the CNSP. A mandated date for the provision of this information of 1 January should provide sufficient time to incorporate this information into the calculation of the MLEC.

Annual Service Target Performance Incentive Scheme reports

TNSPs are required to submit their annual service target performance incentive scheme (STPIS) reports for the preceding calendar year to the AER by 1 February each year. TNSPs generally find the achievement of this date challenging due to proximity to the end of the calendar year, to the holiday period and the extensive supporting material required to be provided with the report.

The AER generally publishes its decision on TNSPs' annual STPIS reports in late April each year although this has been as late as mid-May in some years. As noted in the draft determination, the AER will also need to publish its decision on TNSP annual STPIS reports by early March for inclusion in the publication of annual transmission prices by 15 March. Grid Australia considers that a date of 1 March (rather than early March) should be mandated in the Rules to ensure the timely approval of such information by the AER.

Alternatively, TNSPs could simply include their proposed STPIS performance amounts for pricing purposes. Any variations from the proposed and approved amounts could then be addressed in the following year's calculations.

² See Rule 6A.29.1(a)

³ See Rule 6A.29.1(e)

Pass through of transmission charges to large customers by DNSPs

As noted in previous submissions, Grid Australia considers that customers would benefit from a greater level of transparency in the pass-through of transmission charges to large customers⁴ than has been the case in some jurisdictions.

Clause 6.23 of the Rules specifies that large customers may request the DNSP to provide a TUOS/ DUOS disclosure report which, amongst other things, must:

“...separately identify the amounts that have been allocated to the Distribution Customer's connection points under Part J of Chapter 6A in respect of each of the categories of prescribed transmission services, where the Distribution Customer requests this information...”

In order to achieve this, the distribution Tariff Structure Statement or similar instrument should be required to detail the methodology for deriving this information to provide confidence that a consistent and transparent basis is applied.

Grid Australia is looking toward opportunities to engage with stakeholders regarding transmission tariff reform more broadly in the future.

Please do not hesitate to contact Bill Jackson on (08) 8404 7969 or jackson.bill@electranet.com.au if you wish to discuss any matter raised in this submission.

Yours sincerely



Rainer Korte
Chairman
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⁴ Those customers over 10MW or 40GWh per annum