

3 August 2012

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

Via website: www.aemc.gov.au

Dear John

Grid Australia Draft Response to AEMC Rule Determination – Optimisation of Regulatory Asset Base and the continued use of Fully Depreciated Assets (ERC0136)

Grid Australia welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC's) draft determination on the Major Energy Users' (MEU) Optimisation of Regulatory Asset Base and Use of Fully Depreciated Assets Rule change proposal (June 2012).

While Grid Australia acknowledges that price rises are a concern for energy users, the MEU's proposed Rule changes would not result in an overall benefit to energy users in the long term.

Grid Australia has particular concerns with the MEU's proposal regarding ex-post optimisation that could see investment deemed efficient at the time, but later be deemed inefficient. This would discourage timely and efficient investment as there would be greater uncertainty in the recovery of efficient costs.

In relation to the continued use of fully depreciated assets, decisions on the replacement of assets are based on asset condition and risk and not simply on asset age or whether assets are fully depreciated.

Consequently, Grid Australia supports the AEMC draft Rule determination to not make the proposed Rule.

Should you wish to discuss any aspect of this submission, please contact me via email on korte.rainer@electranet.com.au or on (08) 8404 7983.

Yours sincerely



Rainer Korte
Chairman
Grid Australia Regulatory Managers Group