

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

Submitted via www.aemc.gov.au

16 October 2014

Dear Mr Pierce,

Submission on distribution network pricing arrangements draft determination (ERC0161)

EnerNOC is grateful for the opportunity to provide further comments on this important rule change.

As indicated in our previous submission, we strongly support these reforms, as they have the potential to:

- Lead to the widespread use of tariffs which provide customers with effective, actionable price signals.
- Remove arbitrariness from the tariff-setting process, and hence improve customers' willingness to invest so that they can respond to the price signals provided.

The draft determination is excellent – it goes a very long way towards achieving these goals. However, we believe it could be improved by clarifying that:

1. The service provided by a network is capacity, rather than energy, and hence it should be expected that long-run marginal costs would be calculated per kVA rather per kWh.
2. The pricing methodology provided in the tariff structure statement should be quite prescriptive, leaving no room for discretion in the method for deriving the values of the charging parameters for each year's pricing proposal.
3. Transmission prices should be passed through in a way that preserves their price signals, rather than smearing them.

Each of these is implied in the draft determination, but future controversy – or attempts by regulated businesses to avoid change – could be avoided by ensuring that the final rule is unambiguous on these points.

I would be happy to provide further detail on these comments, if that would be helpful.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Paul Troughton', with a long horizontal flourish extending to the right.

Dr Paul Troughton
Director of Regulatory Affairs