



Victorian Energy Networks Corporation

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Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box A2449
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Ref: 234840
Your Ref: N/A
Contact: Franc Cavoli
Ph: 03 8664 6616

Dear John

Re: Rule Change Proposal – Regulatory Test Thresholds (“Rule Change Proposal”)

Thank you for the opportunity to respond to the Rule Change Proposal dated 21 November 2007 put forward by Electricity Transmission Network Owners Forum (ETNOF). This letter sets out VENCorp's response to the Rule Change Proposal.

Background

In its Rule Change Proposal, ETNOF suggests among other things, that:

1. the dollar thresholds for *new large transmission network asset* and *new small transmission network asset* be revised to \$35 million and \$5 million respectively; and
2. TNSPs should be required to publish all proposed replacement network projects estimated to cost in excess of \$5 million in their Annual Planning Report (APR). ETNOF stated:

“ETNOF proposes to include a requirement in the Rules that *all* proposed network projects estimated to cost over \$5 million be identified in the Annual Planning Report.

In addition to network augmentations, such an arrangement would provide market participants with advance notice of large forthcoming network replacement requirements. This reflects the AEMC's deliberations in 2006/07, and formalises the voluntary publication of that information by some TNSPs in their 2007 Annual Planning Reports.”¹

The Rule Change Proposal also suggested that an alteration to the Victorian derogation was necessary. ETNOF states:

¹ ETNOF, Regulatory Test Thresholds – Rule Change Proposals, 21 November 2007, p. 8



"Acceptance of this Rule change proposal will require a consequential minor amendment to the Victorian derogation to ensure that the proposal operates effectively in Victoria. The minor amendments to the derogation would simply need to specify that the obligation to publish information on replacement works belongs to SP AusNet."²

In Victoria, the asset owner does not have network planning responsibility. Consequently, the Victorian derogation clarifies that VENCORP, as part of its planning function, has the obligation to publish an APR containing proposed network related information. ETNOF has quite rightly identified that an alteration to the derogation is necessary if its proposal is accepted.

Threshold changes

VENCORP questions whether a change to the threshold amounts as suggested by ETNOF would lead to a substantial lessening of necessary and useful information in the market. Furthermore, VENCORP does not agree with ETNOF's implication that since its members have not received feedback or submissions to information provided in their *requests for information*, *application notices* or APRs that the information is therefore not used or relied on by the market. Hence, in VENCORP's view that information is quite valuable to the market.

Derogation amendment

Consequences of suggested derogations amendment

While VENCORP agrees with ETNOF's conclusion as to the necessity for an amendment to the Victorian derogation, clarification of the effect of the amendment is necessary. ETNOF's proposition to place an obligation directly on SP AusNet to publish replacement information would in VENCORP's opinion would lead to confusion as SP AusNet could also publish its own document dealing with transmission assets. The consequences may include:

- if VENCORP does not have the benefit of SP AusNet's replacement asset information prior to publishing the APR for that year, which could result in the APR containing inaccurate and/or misleading information (since replacement asset information can often determine network requirements); and
- interested parties would need to refer to two separate documents to acquire all transmission network information for that year.

An additional issue that arises if the suggested rule change proposal is accepted is that for this year's APR (2007/08), VENCORP would have insufficient time to incorporate asset replacement details and their consequences on the transmission system before the APR's publication deadline of 30 June. VENCORP suggests that if the rule change proposal is accepted, that it should have application from the 2008/09 financial year and following.

Suggested derogation amendment

It would be preferable to have network augmentations and asset replacements considered in an integrated manner. Therefore, it is suggested that the amendment to the derogation clarify that VENCORP retains responsibility for publishing all network information *including replacement*

² Ibid.



assets but SP AusNet or its successor in title (and any other asset owner within the jurisdiction) should provide all replacement asset information for the forthcoming year to VENCORP by 28 February of the relevant year.

VENCORP proposes that an amendment could be made to the derogations along the following lines:

Add the following to the end of clause 9.3.2(a) – Part 2:

5.6.2A(b)(6)	Prepare the information specified in clause 5.6.2A(b)(6) ³ and supply it to VENCORP by 28 February each year, or by an alternative agreed date, and presented in a format requested by VENCORP.
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VENCORP does not believe that this would be a significant amendment and would be within the AEMC's power to amend.

Should you have any questions please do not hesitate to contact Franc Cavoli on (03) 8664 6616 or Louis Tirpcou on (03) 8664 6615.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'M. Zema'.

Matt Zema
Chief Executive Officer

³ Drafting assumes that location of ETNOF's proposed rule amendment is accepted as set out in the Rule Change Proposal.