

Ref: BN/TF/JD

Date: 8 August 2013



Mr Neil Howes
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Dear Mr Howes

ERC0152 – NATIONAL ELECTRICITY AMENDMENT (NETWORK SERVICE PROVIDER EXPENDITURE OBJECTIVES) RULE 2013 DRAFT RULE DETERMINATION

Ergon Energy Corporation Limited (Ergon Energy), in its capacity as a Distribution Network Service Provider (DNSP) in Queensland, welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its *National Electricity Amendment (Network Service Provider Expenditure Objectives) Rule Draft Rule Determination*.

Ergon Energy notes the AEMC's decision to make a more preferable rule and provides in principle support for the intent of the preferable rule. However, Ergon Energy believes that, in clarifying the objectives consistent with the Standing Council on Energy and Resources' proposal, there may be unintended consequences arising from the drafting changes. In particular, Ergon Energy believes that the proposed drafting may narrow the objectives to the extent that costs which are legitimately incurred in providing standard control services (such as support functions like information technology, property, fleet and finance) may be excluded by the Australian Energy Regulator (AER) in making its determination. Ergon Energy welcomes the AEMC's view on this interpretation.

As raised in Ergon Energy's submission to the AEMC's previous consultation paper on 7 March 2013, it would appear appropriate that the proposed rule change should give due consideration to the AEMC's Review of National Frameworks for Transmission and Distribution Reliability and any likely impacts arising from this review. Furthermore, Ergon Energy suggests the AEMC consider the timeframe for introduction of any recommendations of all reviews in relation to regulatory proposal dates released in the Final Determination on the Economic Regulation of Network Service Providers. Ergon Energy notes that the AEMC is currently not aware of any planned changes to reliability standards likely to impact upon this Rule change. However, the Independent Review Panel on Network Costs and the Interdepartmental Committee on Electricity Sector Reform have recommended that Minimum Service Standard levels in Queensland be set at the levels applying at the commencement of the current regulatory control period (i.e. 1 July 2010). The Queensland Government have accepted this recommendation and will progress it through the development of the 30-Year Electricity Strategy. As such, Ergon Energy and other DNSPs will require regulatory certainty through harmonisation of each potential Rule change and jurisdictional instruments.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 4092 9813 or Trudy Fraser on (07) 3851 6787.

Yours sincerely



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