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Mr Neil Howes
Australian Energy Market Commission
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Dear Mr Howes

ERC0152 – NATIONAL ELECTRICITY AMENDMENT (NETWORK SERVICE PROVIDER EXPENDITURE OBJECTIVES) RULE 2013 CONSULTATION PAPER

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 Consultation Paper*.

Ergon Energy provides in principle support for the intent of the Rule change proposal. That is, to clarify that network service providers should be able to seek sufficient expenditure for reliability in their regulatory proposals to comply with jurisdictional standards, rather than maintain the level of reliability achieved in the previous regulatory period. However, Ergon Energy believes the proposed rule is unnecessarily complex and ambiguous and does not improve regulatory certainty.

Ergon Energy suggests that the proposed rule change should dove-tail with other reviews and recommendations, in particular the AEMC's review of distribution reliability outcomes and standards. This review recommends a national reliability framework, which may change the way the Service Target Performance Incentive Scheme (STPIS) is set; requiring the Australian Energy Regulator to base the STPIS on reliability targets set by the jurisdictional target setter and based on the costs of investments to deliver a reliable electricity supply and the value that customers place on reliability rather than the reliability performance of the previous five years.

Furthermore, Ergon Energy suggests the AEMC consider the timeframe for introduction of any recommendations of this review and the Rule change proposal in relation to regulatory proposal dates released in the Final Determination on the Economic Regulation of Network Service Providers. Given the potential for conflict between the proposed Rule change and the existing objective and operation of the reliability parameters of the STPIS, DNSPs will require regulatory certainty through harmonisation of each potential Rule change.

As such, Ergon Energy recommends that proposed rule changes should serve to introduce greater consistency between schemes and between jurisdictional and national requirements. To that end, Ergon Energy supports the alternative rule proposed by New South Wales DNSPs, which replaces the word 'maintain' with 'meet any applicable standards for' in sections 6.5.6 and 6.5.7 of the National Electricity Rules. Ergon Energy believes the proposed alternative rule is administratively simple, provides clarity to all parties and addresses the identified problem. Furthermore, the proposed

alternative rule avoids the need to address many of the specific issues raised in the consultation paper and also avoids the need to remove expenditure objectives (3) and (4).

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) 3228 2144.

Yours sincerely



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