



3rd September 2012

Proposed Rule change: Distribution Losses in Expenditure Forecasts

Mr. John Pierce
Chairman
Australian Energy Market Commission
Level 5, 201 Elizabeth Street
Sydney NSW 2000
Email: submissions@aemc.gov.au

Dear Mr. Pierce,

I refer to a Rule change request originally submitted by the International Copper Association Australia (ICAA) and the draft Rule determination subsequently made by the AEMC^{1,2}.

The ICAA's objective in proposing this Rule change was to foster a greater level of awareness and rigor by DNSPs in considering the cost of electrical losses in their investment decision making. Whilst the AEMC's change is to Chapter 5 of the Rules, rather than Chapter 6, the ICAA believes it still supports this objective and thus strongly supports the AEMC's proposed change.

I wish only to raise one concern with the AEMC's proposal. The proposed Rule change is incorporated within the Distribution Planning and Expansion Framework suite of changes. The Rule would require DNSPs to explain how they take losses into account in their asset management and investment strategies. However, there is no guidance to DNSPs on the level of detail that would constitute an acceptable explanation.

In the absence of more detailed drafting instructions to DNSPs in the Rules, or an AER guideline on the requirements for a Distribution Annual Planning Report, the ICAA proposes a minor amendment to the AEMC's proposed Rule. This would require a quantitative, rather than a qualitative, explanation of each DNSP's consideration of losses.

The proposed amendment is as follows:

S5.8(k)(1A) an explanation of how the *Distribution Network Service Provider* takes into account **the cost of** *distribution losses* when developing and implementing its asset management and investment strategy;

The ICAA believes this minor amendment would oblige DNSPs to provide a more appropriate level of justification of their strategies, in support of the National Electricity Objective.

Please do not hesitate to contact me if any clarification of this submission is required.

Yours Sincerely

John J Fennell
Chief Executive Officer
International Copper Association Australia

¹ ICAA, Proposed Rule change – Distribution losses, 22 December 2011.

² AEMC, Draft Rule Determination - National Electricity Amendment (Distribution Losses in Expenditure Forecasts) Rule 2012, 9 August 2012.