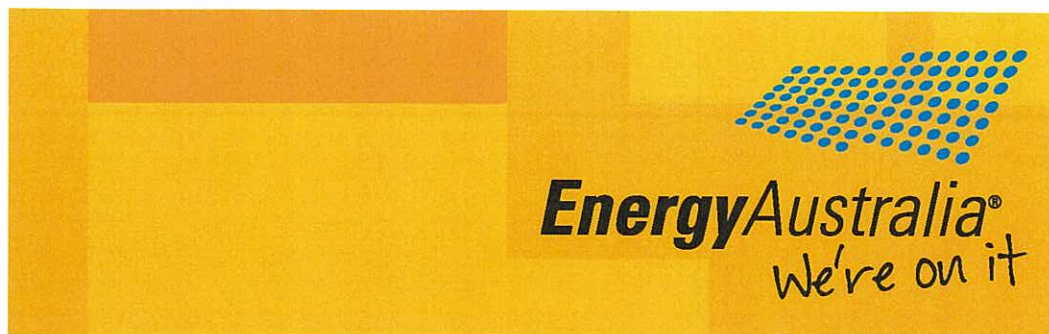


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23 January 2008

Dr John Tamblyn  
Chairman  
Australian Energy Market Commission  
PO Box H166  
AUSTRALIA SQUARE NSW 1215

Email to: [submissions@aemc.gov.au](mailto:submissions@aemc.gov.au)

Dear Dr Tamblyn,

**Submission on AEMC draft determination on Transmission Pricing Rule change proposal**

We welcome the opportunity to respond to the AEMC's draft Rule determination on EnergyAustralia's proposed Rule change relating to the Transmission Network Prices Publication Date. We note that our proposed Rule change has received support from some DNSPs, but has not been accepted by the AEMC in its draft Rule determination.

EnergyAustralia is concerned that the AEMC has not recognised or addressed a fundamental problem in the Rules relating to distribution pricing. The Rules require DNSPs to submit annual pricing proposals to the AER *before* the publication of transmission prices. Due to this timing mis-match, DNSPs must rely on outdated estimates of transmission prices as a basis for its pricing proposal. In contrast, under the proposed Rule change, DNSPs would submit pricing proposals which incorporate the final published transmission prices.

The current Rules will result in material under and over recovery of TNSP charges in situations where the published prices are significantly different from a DNSP's estimates. The timing mis-match exposes DNSPs to unnecessary financial risk and burden in administering under and over recovery of TUoS charges in later years. It also leads to adverse outcomes in the national electricity market due to inefficient pricing signals from inaccurate TUoS charges. For these reasons, we do not consider that the current distribution pricing Rules contribute to the National Electricity Objective.

To address the problem in the short term, EnergyAustralia has entered into a Memorandum of Understanding (MOU) with TransGrid. Under the MOU, TransGrid and EnergyAustralia will work together to achieve publication of transmission prices by an earlier date than required under the Rules. Irrespective of the MOU, EnergyAustralia considers that our proposed Rule change provides a long term solution to the underlying problem in the Rules by establishing an efficient and nationally consistent pricing framework.

In informal discussions with EnergyAustralia, TransGrid has identified that it can achieve an early publication of transmission prices in the first year of a regulatory control period if it uses the AER's draft determination in respect of MAR as a basis for its published prices. This is required due to the timing of the AER's transmission determination in late April 2009, which does not provide EnergyAustralia with sufficient time to incorporate TransGrid's published transmission prices in its pricing proposal for 2009-10.

We support any efforts by TransGrid to ensure that the Rules explicitly permit a TNSP to use the AER's draft transmission determination as a basis for publishing transmission prices in the first year of a regulatory control period. We consider any such Rule change would meet the National Electricity Objective by improving the efficiency and accuracy of the price setting process in the Rules.

If you have any questions or would like to discuss any aspect of this submission in greater detail, please do not hesitate to contact Ms Catherine O'Neill on (02) 9269 4171. EnergyAustralia would be willing to provide examples and any further information required by the AEMC prior to the final determination.

Yours sincerely



**Trevor Armstrong**  
Executive General Manager (Acting)  
System Planning and Regulation