



**ActewAGL**  
Always.

ActewAGL House 221 London Circuit Canberra ACT 2600 ■ GPO Box 366 Canberra ACT 2601  
Telephone 13 14 93 Facsimile 02 6249 7237 [www.actewagl.com.au](http://www.actewagl.com.au)

20 June 2008

Dr John Tamblyn  
Chair  
Australian Energy Market Commission  
PO Box A2449  
South Sydney NSW 1235

Dear Dr Tamblyn

***Response to EUAA proposed Rule change – prescribed values of equity beta and gamma***

ActewAGL welcomes the opportunity to respond to the proposed Rule change submitted to the Australian Energy Market Commission (AEMC) by the Energy Users' Association of Australia (EUAA). The EUAA proposal seeks to amend the values of the equity beta and gamma prescribed in Chapter 6A and Appendix 1 (the ACT and NSW transitional Rules) of the *National Electricity Rules*.

ActewAGL strongly opposes the EUAA proposed Rule change. This proposal should not be progressed by the AEMC.

ActewAGL's regulatory proposal for distribution network prices for 2009-14 is currently being reviewed by the Australian Energy Regulator (AER), in accordance with the ACT and NSW transitional Rules. The EUAA proposal to change the transitional Rules therefore involves a change to the Rules for a distribution determination after the determination process has commenced. That is, the EUAA is explicitly seeking a situation where the Rules governing the revenue determination process are changed *during the process*. This is clearly contrary to reasonable and established regulatory principles and practice.

The proposal also undermines the established governance model for the national energy market, by changing elements of the ACT and NSW transitional Rules, which were developed through an extensive consultation process and accepted by the Ministerial Council on Energy (MCE), by replacing them with amended Rules approved by the AEMC. The proposal effectively disregards the MCE's intention in establishing transitional Rules for the ACT and NSW distribution determinations so these reviews could be conducted with as much certainty as possible under the new regime within extremely tight timeframes. The transitional Rules for the ACT and NSW distribution determinations were established to:

... provide certainty to network businesses, stakeholders and the AER about the arrangements they will be operating under for the upcoming ACT/NSW price resets<sup>1</sup>

In relation to the setting of the cost of capital parameters, which the EUAA proposal now seeks to overturn, the MCE's Standing Committee of Officials (SCO) responded to stakeholder comments:

---

<sup>1</sup> Ministerial Council on Energy Standing Committee of Officials (SCO) 2007, *Response to stakeholder comments on the exposure draft of the NER*, August, p. 77

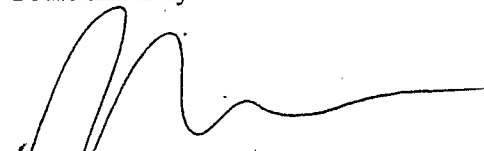
SCO considers the transmission parameters appropriate to apply to the businesses for the reset given that the AER will not have time to do a thorough review of the issues and set out its statement of regulatory intent. The adoption of the parameters will allow the AER and stakeholders to focus on other areas of the framework given the limited time to conduct the determination.<sup>2</sup>

Furthermore, the EUAA offers no analysis of the costs and benefits of changing Rules mid-review.

ActewAGL believes that such a change is clearly unreasonable. It would create a high degree of regulatory uncertainty and this is clearly inconsistent with the objectives and principles set out in the *National Electricity Law*.

Please contact Leanne Holmes, Manager Network Regulation, on 0412 850 715 if you would like to discuss our response.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Graham', with a long horizontal flourish extending to the right.

David Graham  
Director Regulatory Affairs and Pricing

---

<sup>2</sup> SCO 2007, *Response to stakeholder comments on the exposure draft of the NER*, August, p. 85