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Dear Sir/Madam

**AUSTRALIAN ENERGY MARKET COMMISSION
CONSULTATION ON "REVIEW OF THE ELECTRICITY TRANSMISSION REVENUE AND PRICING
RULES"**

Ergon Energy is pleased to make this submission, which is available for publication, in its capacity as an electricity Distribution Network Service Provider in Queensland.

We have reviewed the AEMC's Issues Paper entitled "Review of the Electricity Transmission Revenue and Pricing Rules" (the Paper). Ergon Energy recognises that the timing of the Paper has been driven by provisions of the NEL and as such has not been completely within the control of the AEMC. Nevertheless, Ergon Energy notes that the MCE is undertaking parallel processes addressing similar issues with respect to regulation of the energy sector and Ergon Energy has concerns that the AEMC process could potentially result in regulatory changes for electricity transmission that are incompatible with eventual MCE recommendations.

In preparing this response to the Paper, Ergon Energy has attempted to establish a consistent theme, namely, that the Rules should not seek to impose unnecessary prescription but rather should establish high level principles and provide the AER with discretion in undertaking its task. Further, an incentive based propose/respond model should be adopted whereby network service providers are able to submit a preferred approach consistent with the Rules and reflecting their individual commercial and operating issues. This model should include stronger incentives whereby network service providers are given property rights to a greater percentage (at least 50%) of the benefits accruing from efficiency improvements attributable to their actions. The AER should only be able to reject the proposal where it is inconsistent with the Rules or where parameter values are outside a reasonable range. The ability of the AER to reject network service providers' proposals means that it is essential that network service providers have access to merits review.

This submission follows the structure of the Paper and reproduces and responds to those questions that Ergon Energy has a specific view on. These are detailed below.

Chapter 4 – Form of Regulation

- 1. Should the Rules specify the form of regulation for prescribed transmission services (as currently) or leave this open for the AER to determine?**

Ergon Energy believes that the Rules should specify the form of regulation and that the form should be limited to a building block based revenue cap, price cap or hybrid (consistent with the regulation of DNSPs). Further, as discussed below with respect to Chapter 9 questions, ideally the network service provider would be able to propose the form of control that they believe best addresses their particular circumstances. This is consistent with a propose/respond model.

- 2. Are there areas, in addition to those noted above, where the Rules and current regulatory practices differ?**

Ergon Energy considers that the Rules should allow regulatory discretion so that the unique circumstances faced by individual network service providers are properly taken into account. The example provided in the Paper of asset base values being rolled forward in practice rather than periodically revisited, is an example of the appropriate use of regulatory discretion rather than regulatory practice varying from the Rules.

- 3. To what extent do the alternative forms of regulation identified above, warrant further investigation and analysis in the course of the Review?**

Ergon Energy believes that consideration of alternative forms of regulation as a replacement for the principal form of control should not be included as part of this review. Rather, such consideration should be part of the MCE's broader consideration of energy regulation. However, this review should consider the possibility of applying a lighter handed form of control (such as price monitoring) to those services excluded from the main regulatory control but where it is considered that some form of regulation is still required.

- 4. Should the Rules provide the flexibility to adopt alternative forms of regulation in appropriate circumstances, and if so, what are those circumstances?**

Ergon Energy believes that the Rules should specify the range of regulatory forms allowed (as outlined in question 1) with network service providers to propose their preferred form of control.

- 5. Are there any additional forms of regulation that should be considered?**

As noted above, Ergon Energy believes that the Rules should cover building block based revenue caps, price caps and hybrid forms of control and that consideration of other alternative forms of regulation such as indexation using productivity indices should be held over for more substantial discussion as part of a comprehensive review of energy regulation by the MCE. Ergon Energy considers that such alternatives have a number of difficulties associated with the need to reflect the significant differences in commercial and operating factors faced by different network service providers.

- 6. To what extent does the degree of TNSPs' market power differ for different transmission services? To what extent are transmission customers able to act in a way that constrains the conduct of TNSPs?**

Ergon Energy believes that it is likely that TNSPs' market power will vary according to the type of transmission service and across different geographic regions. For example, the direct provision of high voltage supply to a major industrial customer is likely to involve negotiation between two well

informed parties with the customer exhibiting significant countervailing negotiating power. Such services would be likely to be suited to alternative forms of regulatory control such as price monitoring or a pure negotiate/arbitrate model supported by binding dispute resolution. However, moving to an alternative form of regulatory control would require careful consideration of issues such as the treatment of revenues etc.

7. Would a multi-layered regulatory approach, based on degrees of market power associated with different services, be appropriate?

Ergon Energy considers that a multi-layered approach based on degrees of market power is likely to be appropriate and would be a significant step towards minimising the impact of more intrusive forms of regulation.

8. Are there transmission services that are likely to be suitable for a less intrusive form of regulation, such as price monitoring?

Ergon Energy believes that services such as the direct supply to major industrial companies and, in the future, potentially the supply to retailers where alternative energy sources are available in competition with supply from TNSPs, are likely to be suited to a less intrusive form of regulation such as price monitoring.

9. How significant are information asymmetry problems for electricity transmission regulation?

Information asymmetry remains a central concern for access regulation. This is equally true of TNSPs where industry specific knowledge will always be limited outside the TNSPs themselves although the fact that TNSPs have now been through a number of regulatory reviews and associated information discovery, is likely to have reduced the level of information asymmetry. While remaining concerns can be partly addressed through information reporting requirements (which are not costless), Ergon Energy believes that it is best addressed through providing service providers with appropriate incentives to deliver the service quality sought by customers at the lowest possible price.

10. What issues arise under the current building block approach in respect of information asymmetry?

Ergon Energy considers that the current building block approach to regulation applied in the energy sector has relied too heavily on increasing data provision requirements rather than developing and implementing incentive based arrangements to overcome the inevitable information asymmetry associated with cost-based regulation. In particular, there generally appears to have been excessive focus by regulators on removal of monopoly prices (and therefore a focus on cost of service) at the expense of ensuring incentives for network service providers to develop the kind of innovative, high quality services that users are increasingly demanding. As a result, Ergon Energy believes that network service providers are being locked into an invasive and heavy handed regulatory environment, rather than a more light handed approach that could be possible if the regulatory approach focused on providing higher powered incentives to network service providers.

11. To what extent would these be addressed by the adoption of an approach that relied on benchmarks to a greater extent?

Ergon Energy notes that the creation of the AER will invariably result in greater attention to benchmarking across DNSPs and TNSPs. Nevertheless, Ergon Energy does not believe that greater use of benchmarking will necessarily resolve information asymmetry issues. The adoption of increased benchmarking would rely on the ability of the regulator to access and analyse large amounts of detailed cost and performance information. Such information would only be useful to the extent that it fully reflected the specific operating environment of network service providers and

if the user of the information fully appreciated that contextual information. Given the enormous diversity in demand, density, topography and climatic conditions across network service providers, Ergon Energy questions the merit in focusing on benchmarks as a regulatory strategy (although naturally benchmarks may inform aspects of regulatory decisions).

- 12. To what extent are TNSPs faced with demand and cost circumstances that make it relatively easy (or difficult) to make comparisons across businesses, and over time?**

The Australian NEM extends from the tropical north to the alpine areas of the south east and the arid areas of South Australia. As such, there is both an enormous geographic diversity and an associated enormous range in physical operating environment faced by TNSPs. Similarly, there is a great variety of network configurations designed to meet different load densities and conditions,

This limits the ability to make realistic comparisons between businesses. Indeed, it is likely that the data adjustments that would be required to allow some degree of comparability in benchmark measures would either make the task extremely difficult or reduce the meaningful information content associated with the exercise.

- 13. Are there concerns with the current operation of the revenue caps applied to TNSPs? If so, what changes would be appropriate to overcome these problems?**

Ergon Energy is not aware of any direct concerns with the revenue caps currently applied to TNSPs.

- 14. Does the fact that the Rules preclude changes to the MAR within the regulatory period present difficulties in relation to the appropriate treatment of capital expenditure?**

Ergon Energy acknowledges that in certain circumstances the inability to revise the MAR within the regulatory period to account for unexpected capital expenditure could provide a disincentive for such investment. To the extent that it is, (or where longer regulatory periods were being considered), alternative options such as the establishment of a new capital investment holding fund where returns could be compounded until able to be reflected in prices at the next review could be introduced. Ergon Energy considers that this is a particularly important issue under revenue cap regulation – although even under price cap regulation network service providers should not be disadvantaged on account of meeting demand.

- 15. Should the Rules continue to be prescriptive in relation to the form of direct or indirect price control to be adopted by the AER for the TNSPs? If so, what form of price control should be prescribed?**

As noted in question 1 above, Ergon Energy believes that it would be appropriate to align the approach to TNSP regulation with the regulation of DNSPs through provision in the Rules for a range of forms of regulation with TNSPs to propose the preferred approach in light of their particular circumstances.

- 16. Alternatively would there be benefit in allowing the AER guided discretion regarding the form of price control? If so what guidance would be appropriate?**

As above, it is considered that at this time the Rules should provide for the adoption of either a revenue cap, price cap or hybrid form of control.

- 17. What characteristics of electricity transmission are relevant in considering the choice of form of price control? Do these characteristics differ from those for electricity distribution where price caps often apply?**

Ergon Energy considers that the factors likely to underpin preference for a particular form of regulation will be broadly consistent between electricity transmission and distribution – although distributors by their very nature operate within a more geographically confined area and arguably face greater volatility in conditions as a consequence. For example, uncertainty over demand forecasts, limitations imposed on the network service provider with respect to establishing efficient pricing structures etc. As such, it is appropriate that both TNSPs and DNSPs are empowered to propose the preferred regulatory framework from a list of alternatives contained within the Rules.

- 18. What factors ought to be taken into account when choosing the form of price control?**

In terms of the range of options to be provided within the Rules, Ergon Energy believes that the key issue relates to the assignment (and compensation for) risk, including the risk of regulatory error and the nature of the regulatory environment desired by the network service provider, are the key determinants. In turn, Ergon Energy believes that a key motivator for network service providers will be the feasibility for practical implementation of alternative approaches.

Ergon Energy believes that until the vast majority of network service providers endorse approaches such as productivity index approaches, such approaches should be avoided (at least as principal regulatory instruments). Once a range of options is established within the Rules, it should be left to the network service provider to select the preferred approach in light of their particular operating environment.

- 19. How do the incentives provided under the different forms of price control impact on the efficient development and operation of the transmission system?**

Ergon Energy believes that the key issue is to ensure that service providers are empowered and incentivised to develop innovative solutions for the provision of services. This can occur under a revenue cap, price cap or hybrid form of control providing appropriate incentives are in place and provided that the regulator has sufficient discretion to be able to accept innovative, efficient, solutions proposed by service providers. Ergon Energy believes that a critical part of providing incentives is to confer property rights upon network service providers in relation to the efficiency gains their efforts produce.

- 20. What advantages or disadvantages would there be in allowing greater pricing flexibility for TNSPs under a price cap form of price control?**

Ergon Energy notes that the development of more efficient pricing structures is likely to impact on demand growth, and that, as such, price caps will need to explicitly accommodate such impacts to a greater extent than revenue caps to ensure that the regulatory structures do not provide a disincentive to undertake such changes.

Ergon Energy submits that to the extent that more efficient tariff structures that defer network augmentation are developed and implemented, the network service provider should share in the benefits associated with achieving such deferrals.

- 21. What advantages or disadvantages are there in adopting a hybrid form of price control?**

As noted above, Ergon Energy believes that the major benefit associated with including alternative forms of control is the ability of network service providers to propose adoption of that form of control that they believe best addresses their particular operating environment.

Chapter 5 – Scope of Regulation

- 22. Is the delineation of those services covered by the main regulatory control set out in the current Rules appropriate? Does this delineation reflect those transmission services with substantial market power?**

Ergon Energy agrees with the comment expressed in the Paper that there may well be instances where the voltage level is not an appropriate indicator of the presence or absence of market power. Ergon Energy believes that the Rules should provide each TNSP with the ability to propose those services which that TNSP believes should be subject to the main regulatory control and therefore, those service which should be either unregulated or subject to an alternative form of control.

- 23. Are there other transmission services that may be amenable to a negotiate-mediate-arbitrate model of regulation?**
- 24. Are the 'negotiate-mediate-arbitrate' arrangements applying to transmission access services operating satisfactorily?**
- 25. Is there an opportunity to improve the efficiency of these arrangements and, if so, what problems need to be addressed?**
- 26. To what extent do TNSPs provide services on a basis higher or lower than the service standards referenced in the Rules?**
- 27. What issues arise in relation to the negotiation provisions in the Rules for these services?**
- 28. Are there currently any services provided by TNSPs that fall under the provisions for 'excluded transmission services'?**

Ergon Energy wishes to address questions 23 to 28 together. As a general rule, Ergon Energy believes that a negotiate/arbitrate model can be an effective alternative to the broad brush application of price control regulation. Ergon Energy is currently negotiating a connection agreement with its TNSP (for a standard service quality) and believes that the current provisions guiding negotiation are reasonable. Ergon Energy notes that a significant challenge for the regulatory environment may revolve around the treatment of revenues from such negotiations for regulatory purposes. Again, Ergon Energy believes that this should be an issue for the network service provider to submit to the regulator - although there is a strong case for high powered incentives to be provided for value adding services – such as leaving them unregulated at least for the term of the regulatory period.

- 29. Are the current arrangements for defining and separating contestable transmission services satisfactory? In what ways could they be improved? Are there other transmission services that could be treated as contestable?**
- 30. Are the current arrangements in the Rules for identifying and classifying different elements of transmission service as prescribed, excluded and contestable appropriate? What potential improvements could be made?**
- 31. To what extent is there scope for any element of the existing set of prescribed services to be provided on an excluded or contestable basis, thereby reducing the scope of the current revenue capped services? What services would these be?**

- 32. Are there any elements of existing transmission services not presently included as prescribed services that should be brought within that definition?**

Ergon Energy wishes to address questions 29 to 32 together. Ergon Energy believes that it is critical that regulation is only applied where there is a demonstrated need and that the Rules set out a test and a process where network services providers can test the continued application of regulation to assets or services. As such, network service providers should be given the opportunity to propose to the AER elements of their business that should be excluded and to have those proposals the subject of an explicit test from which the AER's decisions would be reviewable. The basis for such exclusion would clearly include those factors currently identified within the Rules and would extend to circumstances where the network service provider could justify to the AER the basis for the exclusion.

- 33. Should the services to be included within the scope of the main regulatory control be set out in the Rules or left to the discretion of the AER? If the latter, what is the extent of appropriate guidance in the Rules as to the principles that the AER should adopt in making this determination?**

Ergon Energy believes that the Rules should establish the principles used to guide the AER in determining whether the TNSPs' proposals for excluded services should be accepted or rejected, including the threshold test to be applied. These principles should be consistent with the coverage criteria underpinning the national access regime and be subject to merits review.

- 34. Who is the appropriate body to determine the potential contestability of services? What guidance (if any) should be set out in the Rules on the principles to be adopted in such an assessment?**

Ergon Energy believes that consistent with its preferred approach of a propose/respond framework, the AER should have the responsibility for determining whether a service proposed by a TSNP is contestable. The Rules should set out a threshold test for determining whether services should be deemed to be contestable for regulatory purposes and any ruling by the AER should be subject to merits review.

- 35. Who is the appropriate body to determine the form(s) of regulation for services falling outside of the main regulatory control? What guidance (if any) should the Rules provide on the form of this regulation?**

The AER should decide on the form of regulation to apply to services that are not subject to the primary regulatory control with the determination being made following the submission of a proposed form of control by the network service provider. The decision on the form of regulatory control applicable to contestable services should be subject to merits review.

Chapter 6 – Performance Obligations and Incentives

36. **What role should there be for economic regulation under Chapter 6 of the Rules to reinforce or supplement express network or service performance obligations?**
37. **What service performance measures should be targeted? Should they be general in nature or targeted at different categories of network users? Should they be based on technical measures of availability and outages (as at present) or market impacts? Precisely what measures would be most appropriate to promote the NEM objective?**

Ergon Energy wishes to address questions 36 and 37 together. Ergon Energy believes that it is critical for the Rules to require the adoption of an incentive based regulatory framework incorporating a minimum suite of incentive arrangements applying to:

- operating costs;
- capital expenditure;
- service quality; and
- asset utilisation.

Such incentive arrangements would need to be supported by standard performance measures. Network service providers should in turn be encouraged to propose incentive arrangements exceeding the minimum mandated together with proposing (and justifying) the magnitude of associated incentives. Such justification would include analysis of customer willingness to pay for improved service quality, a factor that goes to the heart of the NEM objective.

To the extent that service guarantees are incorporated into the economic regulation environment, Ergon Energy believes that due recognition must be given to the fact that a service that incorporates such a component is materially different to a service that provides no such guarantee. As such, it is critical that network service providers are appropriately compensated for any risk that they become exposed to as a result of offering higher value services to customers.

38. **How should target performance levels be set? If market impact measures are proposed, how should the difficulties surrounding the identification of TNSPs' roles in causing market impacts and the measuring of market impacts be addressed?**

Ergon Energy believes that target performance levels will need to be initially established with respect to current performance of individual TNSPs given the significant differences in the operating environment faced by TNSPs within the NEM. Similarly, it is not considered appropriate to expose TNSPs to market impacts given both the difficulty of identifying causation and the potential impact on TNSP financial viability.

One issue that may become the subject of a market impact test revolves around the timing of maintenance works – Ergon Energy believes that TNSPs should have incentives to ensure that work is performed at times that minimises market impacts and impacts on DNSPs.

39. **How should achievement or non-achievement of performance levels be linked to TNSPs' regulated remuneration?**
40. **What share of a TNSP's regulated remuneration should be at risk through service performance incentive schemes?**

Ergon Energy wishes to address questions 39 and 40 together. Ergon Energy believes that the base level of performance should be established with relatively low levels of incentives, for example, 1% to 2% of revenues. However, it should remain open for TNSPs to propose alternative performance levels and associated incentives which may include materially higher incentives.

Ergon Energy notes that the application of incentive and penalty based structures has seen significant financial consequences arising for the network service providers that are subject to the various regimes. When assessing proposals put forward by network service providers, the AER

should be obliged to ensure that the expected impact on the business from the application of the incentives and penalties leaves the business no worse off than if no such arrangements applied.

41. What role, if any, should Rules for economic regulation have in providing incentives for TNSPs to avoid inefficient over-or under-investment in network assets?

The provision of electricity over the NEM is highly capital intensive and as such, a regulatory framework that excludes capital investment from the incentive arrangements will be unnecessarily limiting the effectiveness of the regime. As such, TNSPs should be provided with incentives for efficient investment. However, Ergon Energy believes that it is appropriate that any investment that passes the regulatory test should be prima facie accepted into the asset base. Moreover, Ergon Energy believes that the AER should bear the onus of demonstrating why investments made by network services providers consistent with the regulatory framework would not be allowed in the asset base. Any risk that is created through asset stranding should be the subject of compensatory allowances for all entities exposed to such a risk.

42. Are economic incentives necessary to ensure TNSPs provide the market with information about forecast constraints and reliability shortfalls?

Ergon Energy believes that a comprehensive incentive based regulatory regime based on a propose/respond model will result in TNSPs providing the market with efficient levels of information in support of their proposals. That is, additional specific incentives will not be required to ensure information about constraints and reliability shortfalls is provided.

Ergon Energy believes that it is appropriate to require a minimum level of reporting to the market about the TNSP's view concerning forecast constraints and reliability shortfalls.

43. Are economic incentives necessary to ensure TNSPs consider both network and non-network solutions (including demand management and other energy sources) to forecast constraints and reliability shortfalls? How could such incentives operate?

Ergon Energy believes that the best way to ensure TNSPs consider both network and non-network solutions is to provide them with an incentive to do so. This could result in TNSPs securing a share of the economic surplus that they create from pursuing more efficient service delivery outcomes. The vehicle to provide this incentive is a property right to the economic gain TNSPs are able to reasonably demonstrate their actions have delivered. Irrespective of the incentives, it is reasonable to expect that TNSPs should inform the market of constraints and reliability shortfalls to the extent that such information is not disclosed through other mechanisms.

44. Are Rules or incentives necessary and appropriate to require TNSPs to undertake funded augmentations, or to require TNSPs to allow other parties to develop transmission assets to connect to TNSPs' networks?

Ergon Energy believes that commercial negotiation and dispute resolution may provide a desirable vehicle to manage the development of transmission assets for customers. The capacity to allow customers to ultimately fund works themselves according to the outcomes of the dispute resolution process (following a refusal by a TNSP to comply) may be required in extreme circumstances. It is possible that a TNSP could be reluctant to allow a customer to connect directly to the network for pricing reasons – where this is the case, the matter should be referred to dispute resolution with a requirement that new customers meet the entire economic cost of providing connection services (including an allowance for externalities).

45. How significant is the difference between a periodic revaluation and lock-in approach to the RAB in terms of incentivising efficient investment and asset management behaviour by TNSPs?

Ergon Energy believes that, provided a network service provider's initial asset valuation is accurate (that is, reflects the full extent of the assets involved in providing the service), that a lock-in

approach to asset valuation is preferred. This would involve rolling forward the asset base reflecting the impact of asset consumption, inflation and capital expenditure. No optimisation should occur under this approach. Capital expenditure would be rolled in subject only to some form of ex-ante assessment of prudence.

- 46. What are the implications of a lock-in approach to the RAB for the development, content and application of other incentive schemes targeted at capital expenditure, operating expenditure and network performance?**

Ergon Energy does not believe that a lock-in approach to the RAB need have any material impact on incentive schemes. The key issue is to ensure that new capital expenditure is efficient and this can be achieved through appropriate assessment against some form of ex-ante prudence test. Satisfaction of the regulatory test provides prima facie justification for the investment such that the AER should bear the onus of justifying any subsequent stranding.

- 47. How do ex ante and ex post capital assessment regimes (as formulated in the DRP and SRP) affect TNSP incentives to only engage in efficient investments?**

Ergon Energy believes that the ex-ante approach adopted by the ACCC in the SRP provides an appropriate balance between providing incentives to encourage new investment and ensuring that such investment is efficient. This is in contrast to the ex-post approach in the DRP which had the potential to impose a chilling effect on investment due to the risk of regulatory stranding of investments.

- 48. What are the practical and administrative strengths and weaknesses of ex ante and ex post capital assessment regimes?**

Ergon Energy believes that there is no basis for ex-post assessment of capital expenditure, clear guidelines should be provided to network service providers and no investment that can be shown to have been reasonable when judged against the circumstances at the time should subsequently be excluded.

- 49. If TNSP investment programmes should be subject to ex ante assessment should low or high powered incentives for expenditure be adopted and if so why? Is there a risk with either approach that investments that would otherwise be efficient may not be undertaken at the appropriate time? Under an ex ante regime, if TNSPs are not penalised for exceeding capital caps how should the risk of inefficient investments be managed?**

- 50. Should regulatory determinations be capable of being reopened to incorporate the cost of specific and unforeseen capital projects into any existing revenue or price caps? Where regulatory determinations can be reopened in this way, is the overall risk of inefficient investments increased and if so how can that be managed?**

- 51. What are the respective implications of an ex ante or an ex post approach to the regulatory assessment of capital investments for the development, content and application of other incentive schemes targeted at operating expenditure and network performance?**

Ergon Energy wishes to address questions 49 to 51 together. Ergon Energy supports the SRP proposal for symmetrical incentives. However, in order to ensure that emerging demand is adequately catered for, it is considered that within period capital expenditure attributable to unforeseen circumstances is recognised (for example, by inclusion in a holding fund where returns are compounded until the next regulatory reset) with such expenditure only able to be excluded where the AER can demonstrate that it was unreasonable given the circumstances faced by the service provider.

Ergon Energy believes that regulatory determinations should not be reopened. It is considered that appropriate specification of the AER's contingent projects fund would mean that there is limited risk of significant unforeseen capital expenditure.

An ex-ante approach to assessment of capital expenditure is consistent with the general thrust of regulation in Australia to adopt a forward looking basis for regulation.

- 52. Should the regulatory arrangements allow TNSPs to retain some share of operating expenditure reductions below target levels into the next regulatory period in order to provide an incentive to incur only efficient operating expenditure? If so, how should those arrangements operate? Is an efficiency carryover arrangement a better way to provide incentives for reducing operational expenditure than a glide-path or other approach?**

- 53. To what extent should the Rules provide guidance on the operational expenditure incentive arrangements to be adopted by the AER?**

Ergon Energy wishes to address questions 52 and 53 together. Ergon Energy believes that TNSPs should be able to retain the benefits of any expenditure reductions below target levels into the next regulatory period by way of efficiency carry over arrangement. Further, in order to provide better incentives, the carry over period should be extended to ensure the network service provider retains at least 50% of the net benefit from the out performance in NPV terms (assuming an 8% WACC this would require around a 9 or 10 year carry over).

The Rules should specify the requirement for the AER to allow some form of minimum operating efficiency carry over incentive mechanism and should provide sufficient flexibility to allow service providers to propose a different mix of efficient target and incentive retention amounts.

- 54. Is the current institutional design of the NEM amenable to a broader service- or performance outcome-based incentive regime than those currently instituted by the AER? If so, what particular outcomes should be targeted?**

Ergon Energy believes that for an incentive regulation arrangement to be successful it needs to be as broad based as possible reflecting the inter-relationship between service quality, capital expenditure, operating expenditure and associated performance measures. However, the limited role of network service providers in terms of activities such as system operations etc means that many factors will be beyond their control and therefore should not be included in the incentive regime. That is, incentives should be limited to those elements over which network service providers have principal control.

Incentive regimes should focus on what is valuable to customers and not just on minimising the cost of service. In so doing, the creation of incentives should have regard to maximising the value of the service that is provided to customers.

- 55. How should consistency between service performance, capital expenditure and operating expenditure incentive regimes be achieved and maintained?**

The critical design issue is to ensure that perverse incentives are not created by incentives in one area that impact on another area – for example, in the absence of balanced incentives, operating cost incentives could drive significant increase in capital expenditure beyond a level that could be justified on efficient investment grounds. The exact balance between these factors is likely to vary between different network service providers and as such, individual network service providers should be given the opportunity to propose and justify their preferred arrangements.

A key issue to achieving the balance is to gain an understanding of the value of the service together with the actions taken by TNSPs to enhance the value of the service provided to customers.

56. To what extent should the service performance incentive regimes be prescribed in the Rules?

Ergon Energy believes that the Rules should outline the property rights of network service providers to efficiency improvements attributable to their actions and should specify a minimum suite of incentive arrangements applying to:

- operating costs;
- capital expenditure;
- service quality; and
- asset utilisation.

Such incentive arrangements would need to be supported by standard performance measures. Network service providers should in turn be encouraged to propose incentive arrangements exceeding the minimum mandated levels, together with proposing (and justifying) the magnitude of associated incentives.

57. Should issues of consistency between the regulatory arrangements for electricity transmission and gas transmission or between electricity transmission and electricity distribution be a consideration in making Rules for the regulatory treatment of the RAB?

Ergon Energy generally supports the aim of increased regulatory consistency especially between the NER and NGR. However, such consistency should not be delivered at the cost of suboptimal outcomes, such as where there is a substantial difference in operating characteristics of these two industries (or functional levels within the industries). However, there will be many elements of the regime that can be dealt with on a consistent basis.

58. Do issues of consistency between the regulatory arrangements for electricity transmission and gas transmission or between electricity transmission and electricity distribution affect the appropriate regulatory treatment of the return on and of capital expenditure?

Ergon Energy believes that there is no basis for a substantial difference in the treatment of return on and of capital between the gas and electricity sectors other than to the extent that such differences reflect industry or project specific risk factors and therefore impact on risk weighted rates of return or project economic life.

59. If TNSP specific investment programmes should be subject to ex post assessment, should there be a mechanism for TNSPs to approach the regulator in advance of particular capital projects in order to get regulatory certainty as to the way in which the investment will be treated prior to undertaking it?

As noted in questions 47 to 51, Ergon Energy does not support the use of ex-post assessment of capital investment. However, should such an arrangement be mandated, then TNSPs should be able to seek binding regulatory agreement as to how the investment will be treated prior to committing to the investment. Further, any investment that has passed the regulatory test should not be able to be excluded from the RAB by the AER.

60. Do alternative arrangements provide any guidance as to the appropriate form of operational expenditure incentives for transmission in the NEM?

As noted above, Ergon Energy supports adoption of an efficiency carry over with the carry over period set at sufficient length to ensure that service providers retain at least 50% of the discounted value of any efficiency improvement.

Chapter 7 – Approach to determining cost components

- 61. How prescriptive should the Rules be in relation to asset valuation? Is the relatively wide discretion in the current Rules appropriate? If not, are there approaches in other regulatory instruments that provide a useful guide?**

Ergon Energy supports the adoption of an asset base roll forward approach to establishing the RAB. This implies a significant reduction in the level of discretion within the Rules. However, the Rules should still provide for network service providers to propose a revaluation to the AER in circumstances where they believe the current approach is erroneous. Network service providers would be responsible for justifying the need for a revaluation. The Rules could outline the nature of circumstances warranting such an approach, including technical errors in application, methodological errors in application, omitted assets and so on.

- 62. Should the lock in approach in the SRP be elevated to the Rules? Do the principles in the SRP provide sufficient certainty as to the method by which the lock in approach will be applied? If not, what additional guidance could be provided in the Rules?**

Ergon Energy supports inclusion of the SRP lock in approach to asset valuation within the Rules and believes that the principles in the SRP are struck at an appropriate level of detail to provide the AER with discretion to develop preferred approaches to dealing with factors such as depreciation and inflation.

- 63. Should the Rules allow for revaluation of the asset base, or further consideration of issues such as the value of land and easements? If so, under what circumstances and who should be able to initiate such a revaluation?**

Ergon Energy supports the Rules allowing for network service providers to propose a revaluation to the AER in circumstances where they believe the current approach is erroneous. Network service providers would be responsible for justifying the need for a revaluation. This extends to consideration of issues such as value of land and easements which have not been fully debated or settled as yet and also with respect to possible changes to reflect the move away from current simplistic approaches to depreciation to more sophisticated approaches such as renewals annuities.

- 64. Should the Rules cover the approach to be adopted by the AER in determining the opening asset base for an MNSP that converts to regulated status? If so, what principles should be adopted?**

Ergon Energy does not have a view on this issue.

- 65. To what extent should the Rules provide guidance to the AER in relation to the determination of efficient capital expenditure?**

- 66. What should be the role of the Regulatory Test in determining the efficiency of capital investment?**

- 67. Should the value adopted in the Regulatory Test be taken as the appropriate asset value to include in the asset base, regardless of outturn expenditure? If so, what implications does this have for the manner in which the Regulatory Test is applied?**

- 68. Should there be a requirement for the TNSP to reapply the Regulatory Test if the expected capital expenditure is expected to materially change? If so, should this be mandated in the Rules?**

Ergon Energy wishes to address questions 64 to 68 together. Ergon Energy considers that the Rules should specify the principles the AER will use to guide assessment of prudent investment.

Ergon Energy also believes that the Rules should specify that if an investment has passed the regulatory test, it should be considered to be an efficient investment and not subject to further regulatory scrutiny before inclusion in the RAB. However, the regulatory test should be reserved for major projects with the test only required for investments beyond for example, \$50 million.

Ergon Energy believes that a major new project assessed under the regulatory test should be included in the RAB on the basis of actual out-turn expenditure as this reflects the materiality of such investments. However, where a network service provider discovers actual out-turn expenditure will be materially higher than expected, they should have an obligation to bring this change to the notice of the regulator and justify the variation. In the absence of evidence of misleading or deceptive conduct, the out-turn expenditure should be incorporated into the asset base.

- 69. What operational issues arise under the ex ante approach set out in the SRP? Should there be different incentive rates applied to different asset categories, as implied by the ex ante approach? Does the ex ante approach affect TNSPs incentives to classify assets as long-lived?**

Ergon Energy considers that the ex-ante approach to assessing efficient capital investment is compatible with the a propose/respond model whereby service providers propose to the AER a capital expenditure program consistent with forecast demand, service quality and operating expenditure. The proposal would need to be supported by adequate documentation addressing all of these associated issues and providing quantification of the impact of factors such as demand growth on capital expenditure. As noted above, the nature of the capital expenditure incentives and impact thereof need to be considered within the context of the entire incentive regulation framework.

- 70. If an ex ante approach to capital investment assessments is adopted, should the approach set out in the SRP be elevated to the Rules?**

Ergon Energy notes that the approach developed in the SRP is relatively broadly defined suggesting only that a probabilistic approach to estimating required capital expenditure would be adopted and it would not entail approval of specific projects. Ergon Energy considers that this may be a reasonable high level approach for inclusion within the Rules that would still provide the AER with sufficient discretion in assessing individual TNSPs.

- 71. To what extent should the Rules provide guidance on the approach to be taken by the AER in determining an efficient level of operating expenditure? What benefits could be expected in relation to transparency and predictability? What disadvantages may there be in terms of a loss of flexibility?**

Ergon Energy considers that the AER should be given broad discretion in terms of determining an efficient level of operating expenditure. As noted above, the broad geographic spread of the NEM together with major differences in the operating environment faced by different network service providers suggests that providing a prescriptive approach within the Rules would be counter productive and would undermine the ability to optimise incentives for individual network service providers.

- 72. To the extent that guidance should be provided in the Rules, what are the relevant characteristics of electricity transmission to consider in determining the form of this guidance?**

Ergon Energy does not believe that the Rules should be prescriptive.

- 73. Should the Rules provide for the application of benchmarking by the AER in determining an efficient level of operating costs?**

Ergon Energy believes that the Rules should be limited to indicating the need for the AER to adopt approaches to assessing performance that reflect the differences between network service

providers. Under a propose/respond model, network service providers would be able to suggest the best approach for their circumstances and this would be related to the incentives provided. As such, the incentives can drive network service providers to develop alternative approaches to assessing efficient operating costs.

74. Should the approach set out in the SRP be elevated to the Rules? Should the Rules provide for the future adoption of benchmarking approaches?

As noted in question 73, Ergon Energy believes that network service providers in conjunction with the AER are likely to be in the best position to develop alternative approaches to assessing efficient operating costs.

75. What issues (if any) arise from the current treatment of regulatory depreciation?

76. Is there a need to include specific guidance in the Rules in relation to regulatory depreciation? If so, in what areas?

77. Should the Rules require an explicit link between the appropriate rate of depreciation and the threat (or not) of regulatory stranding?

78. Should the Rules require an explicit link between the appropriate rate of depreciation and the threat (or not) of market stranding?

Ergon Energy wishes to address questions 75 to 78 together. Ergon Energy considers that the regulatory approach to depreciation is currently in a state of flux and as such it would be inappropriate to include excessive prescriptive guidance within the Rules. Rather, it should be left to network service providers to propose an appropriate approach to depreciation to the AER with the Rules specifying that the AER could not reject the network service providers proposed approach unless it fell outside the range of reasonable approaches with such approaches including: straight line, geometric and annuity based depreciation profiles.

79. What guidance should be provided in the Rules in relation to the calculation of an appropriate rate of return? Should the Rules be more prescriptive than currently?

80. Should the form of WACC (eg, nominal, vanilla post-tax), the WACC model (eg, CAPM) or any of its components (eg, approach to risk free rate, debt premium, beta, credit rating) be prescribed in the Rules?

81. To what extent should the WACC continue to be based on assumptions of a benchmark capital structure?

82. Should the principles in the SRP be elevated to the Rules?

83. Should the Rules prescribe a process for the periodic review of relevant WACC parameters? If so, how frequently should such a review be undertaken: for every determination or less frequently? Who should undertake such a review?

84. Should the Rules allow for the determination to be re-opened if market conditions change?

Ergon Energy wishes to address questions 79 to 84 together. Ergon Energy considers that the Rules should specify the broad approach to estimating the cost of capital ie a post tax nominal framework based on the CAPM. However, this does not extend to the Rules specifying values for component parameters. Rather, network service providers should be able to propose values for component parameters and these should only be rejected by the AER where they lie outside a reasonable range.

85. Is a post-tax or a pre-tax approach appropriate for electricity transmission? What proportion of a TNSP's assets have been subject to accelerated depreciation for tax purposes?
86. Are there transparency benefits associated with a pre-tax approach? To what extent are these outweighed by the accuracy and complexity of the associated WACC conversion formula?
87. Is a convergence of modelling approaches likely to be desirable as the scope of AER energy network regulation widens? That is, are there benefits in the Rules requiring either a post-tax or a pre-tax modelling approach across all sectors?
88. What guidance (if any) should be provided in the Rules on the derivation of the cost of tax, ie, synthetic or actual information on tax values of assets (and so depreciation), financial structure, capitalisation policies?
89. Is it appropriate for the TNSP to face incentives in relation to its tax costs?

Ergon Energy wishes to address questions 85 to 89 together. Ergon Energy considers that tax should be addressed with a post-tax nominal modelling framework where tax liability is explicitly modelled. Consistent with the remainder of the regulatory framework, network service providers should face incentives to adopt an efficient tax structure and therefore, modelling should be based on synthetic tax values.

90. What is the role for assessment of financial ratios? What value (if any) does it add?
91. Is there any benefit in continuing to calculate financial ratios on the basis of costs set out in the revenue decision? Are their alternative approaches that would be more meaningful?

Ergon Energy wishes to address questions 90 and 91 together. Ergon Energy is of the view that there is limited value associated with assessment of financial ratios given that the regulatory control is based on ensuring the network service provider is given the opportunity to achieve or exceed the regulated rate of return. The absence of such measures under the Gas Code has not directly resulted in any increase in incidence of financial distress. Certainly, continuing the current approach of basing such measures on expected outcomes in the regulatory determination should mean that these measures will never indicate a problem as problems should only occur where out-turn performance is substantially worse than forecast.

Chapter 8 – Extent of discretion and design of the Rules

92. What should be taken into account in determining the appropriate degree of regulatory discretion? What are the advantages and disadvantages in leaving a wide degree of discretion for the AER? What are the arguments for and against a more prescriptive approach? Alternatively, should the Rules prescribe/confer discretion in a way that is more tailored to the specific decisions that must be made?
93. Are the principles listed above the appropriate ones to guide consideration of the appropriate balance between prescription and discretion in the Rules? Are there additional factors that should be taken into account?
94. Given that regulatory practice and methodology will evolve over time, to what extent should the Rules accommodate future change without the need for progressive amendments? Alternatively, is it preferable that future changes in approach be implemented via a future Rule change process?

Ergon Energy wishes to address questions 92 to 94 together. Ergon Energy believes that the Rules should include a set of overarching guiding principles with significant discretion allowed the AER but with appropriate accountability mechanisms based on merits review of regulatory decisions.

These principles should include:

- that regulation should be light handed and incentive based and seek to maximise social surplus rather than to minimise cost;
- that regulatory intervention should be limited to situations where there is a demonstrated need;
- that the regulated business must earn a commercial return on its investment (so that the circumstances in which less than full cost recovery is achieved are specifically set out – and perhaps limited to situations where the investment can be shown to have been imprudent at the time that it was made or where the business is demonstrably inefficient or has demonstrably and unreasonably low levels of service quality);
- regulation should contain sufficient flexibility to address unique commercial and operational characteristics of DNSPs;
- that the regulatory framework should include mechanisms to ensure regulator transparency and accountability based around merits review.
- regulators to have regard to the imprecision of inputs and to the asymmetric consequences of regulatory error;
- regulated firms should be compensated for the expected cost of asymmetric risk events, including those arising from the regulatory environment;
- outcomes of regulatory processes should be consistent with workably competitive markets; and
- users should be allowed to signal standards of service with safety net arrangements to be appropriate for an essential service.

Ergon Energy agrees with the Paper that regulatory certainty can be provided both through Rules that set out clear objectives and guiding principles, as well as through Rules that are more detailed and prescriptive. Ergon Energy considers that the Rules should aim to include clear objectives and principles – in essence property rights to regulatory outcomes - rather than detailed prescription. Such Rules will be more flexible in the long run and require less amendment to accommodate advances in regulatory practices and to correct errors of the past in a way that protects the legitimate business interests of network service providers. In addressing the above questions, Ergon Energy has suggested various levels of prescription are appropriate with respect to different elements of the regulatory framework and considers that the level of prescription for each element should be developed in conjunction with network service providers.

- 95. Are there other approaches that provide useful guidance on the balance between discretion and prescription in preparing the revised Rules for electricity transmission?**

Ergon Energy considers that, where there is any doubt about the level of prescription within the Rules, it is better to err on the side of providing the AER with greater discretion (supported by network service provider access to merits review).

- 96. Is there a role for further objectives in the Rules given the single NEM objective? To what extent should the general objectives currently included in the Rules be removed, reduced or rationalised?**

Ergon Energy considers that the NEL should continue to establish the objective of regulation of the electricity sector and that inclusion of alternative objectives within the Rules is only likely to lead to regulatory uncertainty. Rather, the Rules should simply outline the principles for regulation consistent with the objective outlined in the NEL.

- 97. What are the relative advantages and disadvantages of an approach that specifies outcomes and principles as decision making criteria in the Rules, versus Rules with greater prescription and detail?**

As noted above, Ergon Energy considers that in general, an approach of establishing appropriate objectives and principles is preferred to the adoption of greater prescription within the Rules. Given the adoption of this approach, care should be taken in establishing subsidiary principles and guidelines with respect to specific elements of the regulatory decision to ensure consistency with overarching principles. However, it is acknowledged that the presence of such guidelines may be valuable in appropriately constraining elements of regulatory discretion.

Chapter 9 – Regulatory Procedures

- 98. What is the appropriate balance between fixed procedures and leaving procedural requirements open to discretion in relation to setting revenue determinations, and for related regulatory functions eg assessing compliance with price controls?**

- 99. Are there existing procedural regimes in other jurisdictions that reflect a suitable balance between flexibility and certainty?**

- 100. Are there other jurisdictions that reflect a poor balance between flexibility and certainty?**

Ergon Energy wishes to address questions 98 to 100 together. Ergon Energy supports the inclusion of procedural requirements within the Rules with the AER provided with discretion in terms of satisfying those requirements. For example, the Rules should not impose specific requirements on the AER with respect to issues such as how the AER is to assess compliance with price controls. Specific matters worthy of prescription include matters such as the process that the AER should adopt in assessing an application and the processes to be applied to change the Rules.

- 101. Are there benefits in requiring the AER to issue an initial framework document for each transmission review setting out specific information requirements?**

- 102. Are there advantages in adopting an alternative process where the initial step of submitting an application is left to the TNSP?**

Ergon Energy wishes to address questions 101 and 102 together. Ergon Energy supports adoption of a framework based on a propose/respond model whereby network service providers would submit an initial application based on the Rules with the task of the regulator to respond to that initial proposal.

- 103. Should the Rules prescribe a timeframe for transmission determinations? If so, should that timeframe be capable of extension, by whom and in what circumstances?**

- 104. If there are limited extension provisions, what stop-the-clock provisions would be appropriate? What incentives should be provided for the regulated business and the AER to meet the required timeframes?**

Ergon Energy wishes to address questions 103 and 104 together. Ergon Energy considers that while it is desirable for regulatory processes to be undertaken in a timely manner, unnecessarily constraining the time frame of such processes may adversely impact on the ability of the regulator to address specific commercial and operating factors faced by individual network service providers. Whilst timeframes can be set out, they should be non-binding as Ergon Energy considers that it is more important to get the regulatory decision right than to meet a timeframe.

- 105. What provisions should be included in the Rules to create incentives and/or sanctions for both the AER and the TNSP to meet timelines for revenue reset processes?**

- 106. How should the Rules cover a situation in which there is no operational transmission determination?**

- 107. Does a mechanism that involves some form have “backdating” have value?**

Ergon Energy wishes to address questions 105 to 107 together. Ergon Energy does not believe the introduction of additional sanctions or incentives is necessary to ensure revenue reset timelines are met. The presence of a prescribed timeframe will of itself provide an incentive to all parties to progress the reset. Further, limiting the ability of the regulator to reject a network service provider's proposal to those instances where the values in the proposal fall outside a reasonable range will also limit the likely delays from the process. In circumstances where even given the above constraints, no reset has been finalised by the date of the expiry of the existing determination, then the Rules should specify that the existing determination be extended.

- 108. What benefits or costs may be expected in requiring all electricity transmission determinations to be undertaken simultaneously?**

Ergon Energy considers that the AER should be able to determine the timing and sequencing of regulatory determinations.

- 109. What information should the AER be obliged to include in a statement of the reasons for a determination?**

- 110. What are the arguments for and against a requirement in the Rules for the AER to provide details (either publicly or to the affected TNSP) of the modelling that underpins specific transmission determinations?**

Ergon Energy wishes to address questions 109 and 110 together. Ergon Energy believes that the regulatory framework should be based on maximum transparency and that this must include a

requirement on the part of the regulator to provide sufficient detail of any decision so as to allow impacted parties to assess the reasonableness of the decision.

To the extent that there is any confidential commercial information provided to the regulator that is critical to the analysis, then that information should not be released to any third party without the agreement of the party that provided the information. As such, modelling should at a minimum be released to the network service provider and, where it is not based on confidential information, it should be made available to any interested stakeholder.

The AER should be required to provide any information reasonably requested by the TNSP that is material to the determination or could assist the TNSP respond to the decision (except for information that is provided on a commercial-in-confidence basis, in which case the AER should provide that material that it can in a manner that does not breach the commercial-in-confidence status of the material).

- 111. Are there any perceived problems with the current Rules in relation to the provision of information, and if so, what are they?**
- 112. Should the Rules set out high level, qualitative principles in relation to the AER's information gathering powers, or should they seek to prescribe what information is to be provided, both routinely, and/or on an occasional basis?**
- 113. Should the Rules set out the minimum relevant requirements in relation to the content of regulatory accounts?**
- 114. Is there a need to make specific provision in the Rules in relation to information requirements for third party contracts?**

Ergon Energy wishes to address questions 111 to 114 together. Ergon Energy considers that the current Rules provide sufficient powers to ensure that the AER can access the level of information required to complete its task on the basis that the AER should be subject to a reasonableness test in relation to the information that is required to be provided. This includes the ability of the AER to establish ring-fencing guidelines and supporting regulatory accounts.

The issue of information requirements for third party contracts is more complicated as TNSPs will not have access to the same level of detailed information with respect to the costs of third party contractors. Given a contestable market for these services, it is considered that the face value price of the contract should be accepted as efficient.

- 115. Are the current requirements in the Rules about the content of the Regulatory Accounts satisfactory? Should the Rules be more prescriptive on any specific matters relating to regulatory accounts?**
- 116. Would there be any advantages in adopting the model used for gas pipelines which requires the regulated business to develop its own regulatory accounting manual, consistent with guidelines produced by the AER?**

Ergon Energy wishes to address questions 115 and 116 together. Ergon Energy considers that the Rules should include guidelines as to the aims of regulatory accounts and should provide for network service providers to propose a regulatory accounting reporting framework consistent with those guidelines.

- 117. Is requiring the AER to accept TNSPs' proposal if they lie within a plausible range an appropriate way to deal with the potential for regulatory error? What other approaches may be relevant?**

- 118. What is the likely impact of such an approach on the extent of regulatory certainty? Are regulatory outcomes more or less easy to predict if the decision criterion is within a plausible range, rather than the best or central estimate?**
- 119. What would be the basis on which the AER is to determine that an outcome is within a plausible range? To what extent could this be by reference to objective criteria or would it by need to be at the AER's discretion?**

Ergon Energy wishes to address questions 117 to 119 together. Ergon Energy considers that the key driver for allowing network service providers to propose values for regulatory parameters and only allowing such values to be rejected by the AER where they are outside a reasonable range is due to the balance of risk and the asymmetric impact of regulatory error rather than the desire to establish regulatory certainty. Indeed, it may be argued that there is already regulatory certainty, namely that parameter values will be biased towards delivering lower prices rather than towards providing incentives for investments.

Minimising the asymmetric impact of regulatory decisions will create an environment that is conducive to TNSPs committing to future investment in the delivery of innovative services. The greatest social surplus will be delivered through the pursuit of dynamic rather than static efficiency gains.

Ergon Energy believes that it is inevitable that there will continue to be tension as to what is considered to be a reasonable range. As such, network service providers must have access to merits review to protect their interests in circumstances where they believe that their proposed parameter values have been unreasonably rejected. The presence of such review processes will discourage unreasonable rejection of proposals. Further, the likelihood that the network service provider's proposal (where it is unreasonable) will not be supported on appeal will encourage network service providers to ensure that their proposals are from within the range.

- 120. Would such an approach represent an erring towards the interests of investors?**
- 121. If so, is that an appropriate objective given the value apparently placed by customers on reliability and security in the long run? Are the consequences of underinvestment in electricity transmission of more detriment to achieving the market objective than the consequences of overinvestment?**
- 122. If such an objective is appropriate, are there alternative ways of achieving it? Would such alternatives better achieve the market objective?**

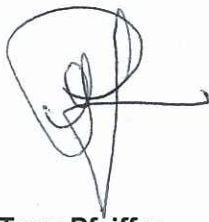
Ergon Energy wishes to address questions 120 to 122 together. Ergon Energy acknowledges that there is likely to be a perception that allowing network service providers to propose the value of parameters will bias returns in favour of investors compared to current arrangements. However, Ergon Energy believes this is only likely to be the case to the extent that current outcomes are not neutral and are biased towards reduced prices for access seekers. As noted above, the tension between the AER and the network service provider, and the ability of the AER to reject the network service providers' proposals (subject to merits review), offer the potential to deliver a balanced outcome consistent with the NEM objective.

123. What issues need to be supported or provided for in savings and transitional Rules? What is the best approach to the management of these issues?

Ergon Energy believes that transitional issues should be addressed to ensure that network service providers are not disadvantaged in the move to revised Rules.

If you have any questions on this and related matters, please contact our Manager Regulation Networks, Tony Pfeiffer (07 3228 7711).

Yours faithfully

A handwritten signature in black ink, appearing to be 'Tony Pfeiffer', with a stylized, looped design.

Tony Pfeiffer
Manager Regulation, Networks

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