

Our Ref: 44895
Your Ref: ERC0106
Contact Officer: Ross Mitchell
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Ms Anita Lai
Senior Advisor
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Ms Lai

Inter-regional Transmission Charging

Thank you for the opportunity to comment on the inter-regional transmission charging rule change. The comments of the AER are limited to issues of implementation and the actions required to be taken under the draft rule and the concurrent review of Powerlink's revenue proposal.

Under the rule proposed by the AEMC, all Transmission Network Service Providers (TNSP) must submit revised pricing methodologies by 28 October 2011. Following a consultation process on the revised methodologies, the AER would release a final decision on the acceptability of the revised methodologies by 3 February 2012.

However, ordinarily the AER is required to assess a TNSP's proposed pricing methodology at the time it issues a draft decision on a revenue proposal. As a draft decision is due on Powerlink's revenue proposal for the 2012-2017 regulatory control period by the end of November 2011, there would be insufficient time to consider the revised pricing methodology as envisaged by the draft rule.

The AER proposes a transitional measure for the draft rule to enable workable timeframes for the Powerlink revenue reset process. It is suggested that the draft rule be amended to remove the requirement to consider the revised pricing methodology in the draft determination by the AER. The proposed change is set out below.

Rule 11.xx.5 could be amended to make it clear the AER does not have to make an assessment of Powerlink's revised pricing methodology in its draft transmission determination:

11.xx.5 Powerlink's pricing methodology

- (a) Despite clause 6A.10.1(a)(i), *Powerlink* is not required to submit a proposed *pricing methodology* relating to a *Revenue Proposal* submitted under clause 6A.10.1(a), until the *AER publishes* the amended *pricing methodology guidelines*. But it must submit that proposed *pricing methodology* and all relevant information by no later than 28 October 2011.
- (b) Despite clause 6A.14.1(8), the *AER's* draft decision in respect of *Powerlink's Revenue Proposal*, negotiating framework and proposed pricing methodology is not required to approve or refuse to approve *Powerlink's* proposed *pricing methodology*.

This would enable the revised pricing methodologies for all TNSPs, including Powerlink, to be considered together by 3 February 2012.

It should also be noted that this timeframe requires the AER to publish revised pricing methodology guidelines by the end of August 2011. Given the prescribed consultation process that must be undertaken for these guidelines, this timeframe requires work to commence on the revised guideline by the end of February 2011, with a view to commencing the formal consultation period by the start of May 2011.

If you have any questions on this issue please contact Ross Mitchell on 02 9230 9127 or ross.mitchell@aer.gov.au.

Yours sincerely



Chris Pattas
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Australian Energy Regulator