

DRAFT



Dr John Tamblyn
Chairman
Australian Energy Market Commission
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Dear Dr Tamblyn

Rule Change Proposal: Economic Regulation of Transmission Services Undertaken by Distributors

Integral Energy welcomes the opportunity to comment on the Rule change proposal from Energy Australia titled “Incidental transmission services undertaken by DNSPs” (Draft Rule proposal) and the accompanying independent review by PB Associates titled “Economic Regulation of Transmission Services undertaken by DNSPs”.

Integral Energy supports the Draft Rule proposal and considers that it will or is likely to contribute to the achievement of the national electricity market objective.

The Draft Rule proposal to apply a single regulatory process and a single determination process for the transmission network and distribution network owned by a distribution network service provider (DNSP) has the potential to significantly increase process efficiency and reduce costs for both the DNSP and the regulator.

The removal of duplicative, ambiguous and non-transparent economic regulation of networks is also expected to provide further long term benefits to market participants, investors and consumers through greater certainty and transparency in the economic regulation of networks.

Recognising the nature and factors influencing the development of electricity networks, the Draft Rule proposal provides an effective means of ensuring consistency, timeliness and responsiveness of the processes for economic regulation of transmission network and distribution networks owned by DNSPs.

Appropriate pricing of networks owned and operated by DNSPs contributes to the efficient investment in and use of electricity services. Given the limited number of dual function assets, the materiality provisions and the discretionary powers of the regulator as set out in the Draft Rule proposal, Integral Energy believes that more appropriate pricing of these networks will be achieved, than that available under the current economic regulation.

Integral Energy considers that the suggested drafting at Appendix 1 of the Draft Rule proposal properly and effectively addresses the issues raised in Energy Australia's Draft Rule proposal.

Should you wish to discuss the issues raised in this letter, would you please contact Erik Beerden, telephone number (02) 9853 6904 or Michael Martinson on telephone number (02) 9853 4375.

Yours faithfully

Richard Powis
Chief Executive Officer