

9 February 2017

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney NSW 1235

Lodged online via: www.aemc.gov.au

Dear Mr Pierce,

National Electricity Amendment (Contestability of energy services) Rule 2016, National Electricity Amendment (Contestability of energy services - demand response and network support) Rule 2016

TransGrid welcomes the opportunity to respond to the AEMC's Consultation Paper on the Contestability of Energy Services rule change request submitted by the Council of Australian Governments (COAG) Energy Council and the Contestability of Energy Services – Demand Response and Network Support rule change request submitted by the Australian Energy Council (AEC).

TransGrid is the operator and manager of the high voltage transmission network connecting electricity generators, distributors and major end users in New South Wales and the Australian Capital Territory. TransGrid's network is also interconnected to Queensland and Victoria, and is instrumental to an electricity system that allows for interstate energy trading.

TransGrid understands that the rule change requests seek changes to the classification of distribution services in addition to restrictions on the ability of a distribution network to earn a regulated rate of return on assets that provide network support and demand response. The objective of these changes is to promote the development of competitive markets for new energy technologies, which the rule change proponents consider will deliver greater benefits to consumers through innovation, choice and ultimately price reductions. TransGrid notes that while the rule change requests do not explicitly apply to transmission services, the COAG Energy Council and the AEC have requested that the AEMC consider the equivalent issues for transmission services.

Application of the rule change requests to transmission services

TransGrid does not support application of the proposed changes to the classification of services to transmission services. As noted by the AEMC, transmission services are currently classified under the National Electricity Rules (NER) as either prescribed or negotiated services. If a service does not reasonably meet either of these definitions, it is an unclassified service. These services could be provided by any party in the market, and often are. Therefore, TransGrid considers that the classification of transmission services is not acting as a barrier to competition in the unclassified services market.

The existing framework provides transmission networks with the flexibility needed to use a range of different technologies as an input to the provision of transmission services. This complements the incentives in the broader economic regulatory framework that drive transmission networks to select the most efficient solution to meet a network needs. TransGrid considers that retaining the discretion afforded to transmission networks to utilise different technologies to provide network services is appropriate and consistent with the principle of technology neutrality underpinning the regulatory frameworks of the National Electricity Market. TransGrid is not supportive of measures that would remove this discretion.

Transparency of network investment decisions

TransGrid supports a rigorous and transparent framework that provides appropriate oversight over the investment decisions of regulated network businesses. The existing arrangements, including the transmission annual planning report (TAPR) and the regulatory investment test for transmission (RIT-T), have worked well to provide transparency with respect to the investment decisions of transmission networks. However, TransGrid accepts that there is room to provide more information to the market in relation to network support opportunities.

In this context, the Institute of Sustainable Futures (ISF) has led an ARENA funded project for the development Network Opportunity Maps (NOMs), with TransGrid as one of the network partners supporting the development of the maps. The NOMs provide a single consistent source of information on a geographic basis allowing identification of potential multiple value streams for non-network solutions. We believe that more information about network constraints and opportunities, provided in advance through the NOMs, will help non-network solution providers better engage with network service providers to offer non-network solutions that are better targeted to the need of the network. This would develop a more mature market for non-network solutions, increasing the level of competition between providers and driving down prices to the benefit of consumers.

If you would like to discuss any matter raised in this submission, please contact TransGrid's Regulatory Affairs Analyst Miyuru Ediriweera (Miyuru.Ediriweera@transgrid.com.au). We look forward to engaging further with the AEMC and other stakeholders on this review.

Yours faithfully

Anthony Meehan

Executive General Manager, Business Growth and Revenue