

25 June 2013

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

Dear Mr Pierce,

RE: AEMC Draft Rule Determination - National Electricity Amendment (Changes to cost allocation method) Rule 2013 (Reference ERC0150)

The NSW Distribution Network Service Providers, Ausgrid, Endeavour Energy and Essential Energy (the NSW DNSPs) are pleased to respond to the AEMC's draft rule determination on the proposed changes to the cost allocation method (CAM).

The NSW DNSPs support the AEMC's decision not to accept Trans Tasman Energy Group's (the proponent's) rule change request. In particular, we support the key reasons underpinning the AEMC's view; namely, that:

- There is insufficient evidence that there is a problem with the existing provisions that hinders the ability of parties to negotiate efficient prices for negotiated services;
- Other mechanisms outside the CAM already provide customers with sufficient access to information to enable them to negotiate effectively. Therefore, the costs to distribution network service providers (DNSPs) and the Australian Energy Regulator (AER) in providing the same information, as part of the CAM, are likely to outweigh any potential benefits;
- It is the role of the AER to confirm a DNSP's compliance with the CAM. As a result, information is not required for customers to be able to confirm compliance. Further, a number of processes already exist to address concerns regarding CAM compliance;
- Consumer engagement is more effective and meaningful at the cost allocation guideline level, as the guideline is the document which drives the approval of DNSPs' CAMs; and
- Adopting the proposed rule would introduce extra costs and disproportionate regulatory burden.

Consequently, the NSW DNSPs share the AEMC's view that the proposed changes are unlikely to contribute to the National Electricity Objective (NEO). We note that the AEMC's reasons for not accepting the proposed rule change are consistent with the concerns raised in our earlier submission, and further reflect the concerns raised by other DNSPs and the AER.

If you have any queries or wish to discuss further please contact Mike Martinson, Group Manager Regulation at Networks NSW on (02) 9853 4375 or via email at michael.martinson@endeavourenergy.com.au

Yours sincerely,



Vince Graham

Chief Executive Officer

Ausgrid, Endeavour Energy and Essential Energy