

9/10/2015

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

Lodged online via: www.aemc.gov.au

Dear Mr Pierce

Strategic Priorities for Energy Market Development 2015

TransGrid welcomes the opportunity to respond to the AEMC's Strategic Priorities for Energy Market Development Discussion Paper.

TransGrid owns and operates the high voltage electricity transmission network connecting generators, distributors and major end users in New South Wales and the Australian Capital Territory. TransGrid offers the following comments for the AEMC's consideration.

This is an opportunity to provide strategic leadership

This market review is an important opportunity for the AEMC to demonstrate its leadership role in providing advice on potential improvements to regulatory and energy market arrangements. We understand that this project will help frame key issues for consideration by the COAG Energy Council and help prioritise the AEMC's own work plan.

TransGrid is also pleased that a review of this nature facilitates an open dialogue between market participants (such as TransGrid), consumers (and their representatives) and policy makers on key issues of importance around the policy, regulatory and market settings in the energy sector. An open dialogue is particularly important as the sector is in a state of transformation driven by consumers and emerging technologies. In this regard, policy and regulatory settings should be flexible in order to help consumers, market participants and other stakeholders to adapt to this changing environment.

TransGrid agrees with the AEMC's preliminary approach

TransGrid is broadly supportive of the AEMC's decision to retain and re-focus the three strategic priorities from its 2013 review.

In regards to the AEMC's gas priority, TransGrid notes that there may be an increasingly link between the interaction of Australia's electricity and gas markets going forward and that there are several reviews, including by the AEMC and the COAG Energy Council, on gas market development which are currently underway.

The three areas of focus for the AEMC's consumer priority (engagement, participation and protection) seem sensible. TransGrid agrees that it is critical that energy markets service

consumer needs and this is what guides the National Electricity Objective. These areas of focus also highlight the diversity of how different consumers interact in the energy market.

TransGrid supports the recognition of networks in the re-focus of the AEMC's markets and networks priority. TransGrid agrees that market and network arrangements should encourage efficient investment and flexibility. Policy and regulatory decisions should create stability for all stakeholders and these decisions should also be guided, in part, by how risks are allocated. TransGrid supports adaptive policy and regulatory decisions which encourage innovation and reflect the full transparency of the costs and benefits of energy services.

The regulatory framework should be flexible to allow for change driven by consumers

The AEMC's strategic priorities should ensure that the regulatory framework (including the National Electricity Rules and the AEMC's own processes) are flexible, adaptable and resilient in the face of changing energy market conditions.

TransGrid encourages the AEMC to further consider whether the current regulatory framework encourages evolution and innovation, particularly for network service providers. This is particularly relevant as the boundaries between monopoly and competition are shifting, as are the boundaries between service provider and service consumer.

TransGrid looks forward to engaging with this AEMC on this project. If you would like to discuss these initial comments further, please contact Caroline Taylor on (02) 9284 3715.

Yours faithfully



Greg Garvin
Executive General Manager/ People, Strategy and Stakeholders