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Our Ref:

Dr John Tamblyn
Chair
Australian Energy Market Commission
PO Box H166
AUSTRALIA SQUARE NSW 1215
By email: submissions@aemc.gov.au

29 November, 2006

Dear Dr Tamblyn

Draft Rule for transmission pricing

The Public Interest Advocacy Centre (PIAC) needs to clarify one point made in our previous submission to the Commission on the proposed transmission pricing Rule change. The Commission's Draft Rule Determination has commented that PIAC viewed the proposed change as introducing 'excessively detailed requirements'. This is not a correct summation of our views.

PIAC was seeking to respond to the view put forward by the Commission that the existing requirements around pricing methodologies contain too much detail and are excessive in their constraints they place on TNSPs.

Our view was, and remains, that weakening the requirements on the TNSPs around the implementation of pricing methodologies will not eliminate the complexity of the process of determining prices for prescribed transmission services. The businesses still will have to work through a very detailed and complex process to determine their prices. The key difference to be introduced by the proposed Rule change is that the Australian Energy Regulator (AER) will have a reduced capacity to exercise oversight of this process.

As a result, end-users will have to attempt to deal with the same level of complexity in attempting to understand how those prices are set and will have to do so without the support of the economic regulator. As we have argued previously, this likely will expose end-users to a greater degree of subjective decision-making by the TNSPs and reduce the transparency of prices for transmission services.



For PIAC the real concern in this regard is that we expect the Commission to adopt a similar approach to the determination of prices by distribution businesses. Given that network charges in total comprise some 50% of final bills for household consumption we believe this would be a poor outcome for consumers.

Similarly, PIAC is concerned that the Commission has opted to reduce the scope for the AER to promulgate guidelines for the implementation of pricing methodologies. Indeed, PIAC previously has expressed concern that the Commission has sought to rely on guidelines rather than more focus on the detail of price structures. We recognise this move is favoured by the operators of network businesses. In our view, however, this undermines the regulatory bargain that is supposed to serve the long-term interests of consumers.

Yours sincerely
Public Interest Advocacy Centre Ltd

A handwritten signature in black ink, appearing to be 'JW', with a long horizontal flourish extending to the right.

Jim Wellsmore
Acting Principal Policy Officer

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