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8 February 2008

Dear Colin,

You have asked us to provide a response to the points raised in ETNOF's letter of 13 November.

A response is attached in tabular form, with a brief summary of the point made by ETNOF and our response to the point.

Yours sincerely,

Jamie Carstairs

<i>ETNOF comment</i>	<i>Firecone response</i>
<p>The report fails to state that the Parer recommendations were not accepted and that NEMMF commissioned work which led to a different outcome.</p>	<p>Our report provides a brief summary of the evolution of policy. The Parer review was a major exercise, which was influential in some respects (for example, institutional arrangements). Our report therefore needed to set out its main findings.</p> <p>The report makes no assertion that the Parer recommendations were accepted, and the report sets out the subsequent evolution of policy which differed from Parer’s recommendations.</p>
<p>The report fails to state that COAG did not totally endorse the ERIG recommendations, and that the findings of the National Transmission Planner review are required to be consistent with the COAG decision rather than the findings of the ERIG review.</p>	<p>Our report has one sentence on ERIG’s recommendations, stating that “ERIG recommended establishment of a national transmission planner, to be based in a reformed NEMMCO.”</p> <p>The report does not set out the detail of the ERIG findings. Nor does it state that these were accepted. The report does note that COAG has set out a number of important conditions on the approach to be taken to establishing a national transmission planner, and that some jurisdictions have placed conditions on their agreement to the establishment of a national transmission planning function.</p>
<p>The description of corporate objectives in section 3.2 is an unscientific cherry picking exercise and is not germane to the report’s focus on the evolution of transmission planning.</p>	<p>We agree the brief summary is incomplete, and cannot be regarded as a full statement of each company’s corporate objectives.</p> <p>Our report states that the corporate objectives are set out in annual reports, legislation and other instruments. This makes clear that readers who wish a statement of corporate objectives should look at these documents.</p> <p>TNSPs are the key institutions with respect to planning and delivery of transmission services, and we consider that a brief illustration of aspects of their corporate objectives is germane to the report’s focus on the evolution of transmission planning.</p>
<p>The assertion that there is no linkage between the Regulatory Test and the regulatory revenue determination is incorrect.</p> <p>TNSPs must comply with Rules obligations for capital expenditure to be included in</p>	<p>We agree that the Regulatory Test is a Rules obligation, and that TNSPs are required to comply with Rules obligations. Our report does not suggest otherwise.</p> <p>We remain of the view that the earlier direct linkage of the Regulatory Test to the regulatory asset base (which was itself a little unclear, as noted in the report) has now been removed.</p>

<p>the Regulatory Test. The application of the Regulatory Test is a Rules obligation.</p> <p>It follows that passing the Regulatory Test is an important element of the regulated revenue framework.</p>	
<p>Regulatory Test evaluations and Regulatory Test style economic analysis are highly relevant to the AER's revenue determination exercise. This is much more important than Firecone thinks.</p>	<p>We accept that these activities are highly relevant to the AER's revenue determination exercise.</p> <p>However, a description of the balance of different factors in different revenue determination exercises would necessarily be detailed and lengthy and is beyond the scope of our report.</p>
<p>It is incorrect to state that transmission planning criteria in Queensland and New South Wales are set by Powerlink and Transgrid under delegated authority. The criteria are set by Government. This has previously been pointed out to Firecone.</p>	<p>We accept the point that the formal authority lies with the Government, and apologise for not having amended it.</p>
<p>It is incorrect to state the detailed application of planning criteria in Queensland is not publicly available. Powerlink's application of the rules is evident in application notices for network augmentations. Powerlink's detailed planning criteria were submitted to the AER as a public document.</p>	<p>We agree that there is more information than previously in the public domain on transmission planning criteria in Queensland.</p> <p>Our understanding remains that the Transmission Authority in Queensland is not in the public domain, although elements of it were provided in the Planning Criteria.</p>
<p>The approved transmission planning criteria applied by Transgrid are set out annually in Transgrid's APR</p>	<p>Our report does not comment on this.</p>
<p>The threshold for involvement of the Office of Tasmanian Energy Regulator (OTTER) should be \$10M, not 10 MW.</p>	<p>Agreed.</p>