

24 February 2006

Mr John Tamblyn
Australian Energy Commission
PO Box H166
Australia Square NSW 1215



Dear Mr Tamblyn

Reform of the Regulatory Test Principles

Ergon Energy Pty Ltd (Ergon Energy) appreciates the opportunity provided by the Australian Energy Market Commission (AEMC) to comment on the proposed Rule change *Reform of the Regulatory Test Principles*. This submission is made by Ergon Energy in its capacity as an electricity retailer in the National Electricity Market (NEM).

Ergon Energy supports the development of regulatory mechanisms that assist in facilitating the reliable and secure delivery of lower-cost energy to end users. Timely and efficient investment in transmission is an issue of particular importance to Ergon Energy given the dispersed nature of our franchise customer base and the unique geographic characteristics of the Queensland network.

In general, the policy principles proposed by the Ministerial Council on Energy (MCE) align with the needs of market participants. In particular, the regulatory test principles should deliver efficient transmission investment, ensure all genuine and practicable alternatives are evaluated without bias and only permit efficient costs of maintaining a secure and reliable power system to be recovered from consumers.

To further enhance regulatory transparency, and consistency, consideration should be given to including the regulatory test principles in the Rules. Under this scenario, Ergon Energy would envisage the AEMC liaising with industry on proposed changes to the regulatory test principles (contained in the Rules) and the AER performing the role as regulator.

Ergon Energy would welcome the opportunity to discuss this submission in greater detail. If you have any queries, please feel free to contact me on 07 3228 7536.

Yours sincerely

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Manager, Regulation Policy

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