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

19 September 2013

Email: submissions@aemc.gov.au

Dear Mr Pierce

RE: ERC0154 – RECOVERY OF NETWORK SUPPORT PAYMENTS

CitiPower and Powercor Australia (**the Businesses**) welcome the opportunity to comment on the Australian Energy Market Commission's (**AEMC**) '*Draft Rule Determination – National Electricity Amendment (Recovery of Network Support Payments) Rule 2013* (**Draft Determination**).

The Businesses support the more preferable Rule that is now proposed by SP AusNet.

SP AusNet proposes the introduction of a network support pass through mechanism to provide sufficient certainty over the recovery of operating expenditure associated with network support agreements. The purpose of the proposal is to allow distribution network service providers (**DNSPs**) to evaulate network and non-network solutions for transmission connection assets on an equivalent basis.

The more preferable Rule is targeted to specifically address the unique circumstances in Victoria.

Transmission connection network support payments

Victorian DNSPs are responsible for planning transmission connection assets. In other National Electricity Market (**NEM**) jurisdictions, this role is held by transmission network service providers (**TNSPs**).

The current Rules do not provide an ability for a DNSP to recover network support payments to allow efficient deferral of a transmission connection augmentation. This is an obvious flaw in the Rules.

The Businesses consider given appropriate avenues for cost recovery, there are significant opportunities to acquire network support to defer transmission connection works. The Businesses are currently negotiating with a potential provider of such services and one of the key issues in those discussions has been the regulatory framework and the opportunity for cost recovery. The Businesses expect opportunities for further network support arrangements will continue to grow in its franchise areas over the next 5-10 years.

Difficult to predict payments for recovery through the opex allowance

At the last Electricity Distribution Price Review (**EDPR**), CitiPower sought and received an allowance for distribution network support payments in relation to works at West Melbourne Terminal Station. CitiPower was fortunate at the time it could predict the need for such network support and be in an advanced enough position with a proponent to provide detailed costing to satisfy the Australian Energy Regulator (**AER**).

It is not however always possible to predict the need for such network support payments or be in a position to provide the AER with the requisite level of certainty to obtain funding through the regulatory review processes as CitiPower was.

In such circumstances there is a need for an alternate avenue to allow recovery of network support payments to avoid the regulatory framework becoming an impediment to network support arrangements outside of the narrow EDPR timetable.

The Businesses agree that ideally all network support payments should be recovered through the EDPR process. This is consistent with maintaining an incentive based regulatory framework. However to manage situations that fall outside the EDPR window, the Businesses consider it appropriate the Rules provide the requisite flexibility to allow for a pass through arrangement.

The Businesses would be pleased to discuss their views on the proposed more preferable Rule change further. Please do not hesitate to contact me (03) 9683 4469 or mserpell@powercor.com.au if you would like to discuss the positions presented in this submission further.

Yours sincerely

Matthew Serpell
MANAGER NETWORK PRICING