



Department of Primary Industries

1 Spring Street
GPO Box 4440 Melbourne
Victoria 3001 Australia
Telephone: (03) 9658 4000
Facsimile: (03) 9658 4400
ABN 42 579 412 233
DX 210404

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

Our Ref:

Dear Mr Pierce,

Re: Submission on the DNSP Recovery of Transmission-related Charges rule change request (Your reference ERC0114)

The Victorian Department of Primary Industries (DPI), as the portfolio agency responsible for energy policy in Victoria welcomes the opportunity to provide a submission on the rule change request submitted by United Energy Distribution, on behalf of the Victorian distribution network service providers (DNSPs), in relation to how DNSPs recover the charges for connection to, and use of, the transmission system, inter-DNSP payments and avoided transmission use of system (TUOS) payments to embedded generators.

In making this submission, I note that the rule change request enables the DNSPs to continue to recover the charges for connection to, and use of, the transmission system, inter-DNSP payments and avoided transmission use of system (TUOS) payments to embedded generators as they have done over the last 15 years, and consistent with the Australian Energy Regulator's interpretation of the National Electricity Rules for the DNSPs in New South Wales, Queensland and South Australia,

I therefore consider that this rule change is required to address one in a series of unintended anomalies which has emerged as part of the transition to the national framework for distribution economic regulation. I therefore support the intent of the rule change proposal.

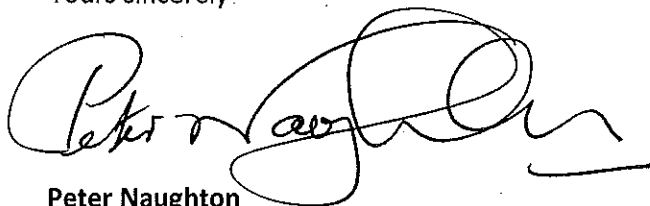
I note that United Energy Distribution requested that this rule change proposal be expedited but this request has been declined by the Commission. Whilst the proposal must now proceed through the standard rule making consultation process, I would strongly encourage the AEMC to reach a resolution to this issue as soon as possible so that there is certainty over the treatment of these costs for the forthcoming 2011-15 regulatory control period for the Victorian DNSPs.

I am also concerned that if this issue is not resolved in line with the proposed rule change, an alternative approach may be adopted in which the DNSPs transfer the risk associated with these charges to Victorian electricity consumers who may then pay more than they would otherwise.



Should you have any queries in relation to this submission, please do not hesitate to contact Mark Feather, Director, National Energy Development on 9658 4793 or by email on mark.feather@dpi.vic.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Naughton', with a large, stylized flourish at the end.

Peter Naughton
Executive Director, Energy Sector Development

24 / 9 / 2010