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RECEIVED

- 4 SEP 2006

31 August 2006

Dr John Tamblyn,
Australian Energy Market Commission,
PO Box H166,
Australia Square, NSW 1215.

Dear Dr Tamblyn,

**Re: Application for a Rule by Energy Solutions Australia Pty Ltd
regarding Obligations of Network Service Providers - Connection Applications**

AGL Hydro Partnership (AGL) notes that Energy Solutions Australia Pty Limited (ESA) has requested the Australian Energy Market Commission (AEMC) make a Rule to support competition in the provision of contestable network services.

AGL is a major participant in the National Electricity Market and is currently considering or constructing many new generation projects. In addition, we are involved with many large customers currently connected or who are currently seeking connection to the power grid. All of these projects and developments require some form of connection assets to be constructed in order to access the shared network.

The provision of connection assets is contestable under the National Electricity Rules (the Rules), although the definition is itself difficult. Use of providers other than the Local Network Service Provider (LNSP) is, however, difficult due to both a lack of service providers and the difficulty of interfacing contestable works with existing assets of the LNSP. We have therefore been forced to negotiate largely with the incumbent providers for these assets.

Negotiation with a monopoly service provider is difficult. AGL has had a wide variety of experiences from excellent support to "that is the price, take it or leave it". We have also found difficulty in gaining appropriate commercial term and information from LNSPs. AGL therefore considers that the issues raised are real and substantive and need to be considered as a priority.

AGL would therefore welcome the appearance of new entrants to provide connection assets, and considers that the Rules should support new entrants. We consider, however, that any rule should not impose major obligations on the LNSP. We support the existing provision in the Rules that require a LNSP to advise which services are contestable and consider the proposal by ESA to be a minor change to enhance that Rule.

AGL supports the AEMC examining this issue and making relevant Rules. We consider that this proposal within the scope of Rule making by the AEMC since it deals with access to the network and matters that were, to some extent, covered in the National Electricity Code. We do not, however consider this to be a non-controversial change nor that this change fully addresses the issues with provision of contestable services by LNSPs. We would therefore support the making of this Rule now but also a fuller review of this issue at a later stage when the AEMC is not so pressed.

For queries in relation to letter please contact Alex Cruickshank, Manager Wholesale Markets Regulation, on (03) 8633 6026 or by email to acruicks@agl.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Dimery', written over a circular stamp or watermark.

Jeff Dimery
General Manager Merchant Power