

30 November 2006

Dr John Tamblyn
Chairman
Australian Energy Market Commission
Level 16
1 Margaret Street
Sydney NSW 2000

By email aemc@aemc.gov.au

Dear John,

Draft Rule Amendment: Pricing of Prescribed Transmission Services

We are pleased to have the opportunity to submit comments in respect of the Commission's draft Rules for the pricing of Prescribed Transmission Services. In addition to our comments in this letter, SP AusNet has participated with other transmission network businesses in the submission by the Electricity Network Owners Forum. We wish to note however, that under the Victorian structural arrangements VENCORP is responsible for the pricing of shared network services in this state.

There are several matters that we wish to draw to the Commission's attention, and these are discussed under the following headings.

Responsibility for Pricing of Prescribed Transmission Services in Victoria

Our objective here is to clarify that the assignment of responsibilities in accordance with the Victorian derogations will be retained under the Rules amendment. The derogations provide for VENCORP to allocate AARR in relation to shared network services, and for SP AusNet (or other owners providing prescribed transmission services) to perform this function in relation to connection services.

The arrangement is explained in the following paragraphs, with reference to the Rules provisions.

Clause 9.3.2 (a) (1) (ii) identifies SPI PowerNet (SP AusNet) as the TNSP where a Rules provision relates to the connection or modification of a connection to the transmission system, and where a Rules provision relates to the provision of connection services. This is reinforced by clause 9.7.2 (e) which identifies SP AusNet as the TNSP responsible for making an offer to connect and for the terms of a connection agreement, where the offer relates to connection services (as distinct from shared network services).

Under the Victorian arrangements, and consistent with clause 11.6.21 SP AusNet will establish charges for prescribed transmission service connection augmentations requested by distribution businesses and shared network augmentations requested by VENCORP, for the interim period until they are rolled-in to SP AusNet's RAB at the subsequent revenue review.

For services using assets already included in the RAB clause 9.8.4 applies. This makes the application of the transmission pricing Rules subject to clauses 9.8.4A to 9.8.4F. In turn clause 9.8.4F provides for SP AusNet to allocate its AARR (refer subclause (d)), the portion of SP AusNet's AARR referable to shared network services is recoverable from VENCORP (refer subclause (e)(2)), and VENCORP has a co-ordinating TNSP role for the allocation of the shared network component of SP AusNet's AARR (refer subclause (f)(1)).

To provide clarification we request that the Commission acknowledge the exception to the Chapter 6 arrangements for pricing, and in particular for jurisdictional allocation of AARR, that will apply in Victoria under the amended Rules.

References to SP AusNet

We note that the Rules, including the Commission's draft transmission pricing Rules, make reference to SP AusNet as a transmission network business via several identities.

For consistency we propose that all NER Chapter 6 references are to SP AusNet, with the definitions identifying SP AusNet as SPI PowerNet Pty Ltd (ACN 079 798 173) or any successor or assignee of any asset of SPI PowerNet used for the provision of transmission services. This definition is taken from the definitions in the Victorian derogations, under clause 9.3.1 of the Rules (and this is referenced in clause 11.6.21).

Definition of Entry Services

The new Rules for determination of transmission revenues provides a transitional provision that contemplates the roll-in to SP AusNet's RAB of assets used to provide services to an market network service provider (refer clause 11.6.21). To ensure that charges can be allocated to the MNSP it is necessary that this category of network user is included in the definitions relating to entry services.

We propose the following modifications to the definitions included in the draft Rule:

prescribed entry service - *Entry services that are prescribed transmission services by virtue of the operation of clause 11.5.11 or clause 11.6.21.*

Finally, we wish to thank the Commission for its consideration on these matters. We would be pleased to provide any further background information or understanding that the Commission may require. Please do not hesitate to contact Kelvin Gebert if further discussion would be helpful to the Commission.

Yours sincerely



Charles Popple

GENERAL MANAGER REGULATORY AND BUSINESS STRATEGY