

7 March 2013

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



Dear Mr Pierce

ERC0152 – National Electricity Amendment (Network Service Provider Expenditure Objectives) Rule Change

Energex welcomes the opportunity to respond to the Commission's *Consultation Paper – National Electricity Amendment (Network Service Provider Expenditure Objectives) Rule 2013* in relation to the Standing Council on Energy and Resources' expenditure objectives Rule Change.

In principle, Energex supports the intent of the Rule Change which seeks to clarify that network service providers should only be able to seek sufficient expenditure for reliability in their regulatory proposals to comply with jurisdictional standards, rather than maintain the level of reliability achieved in the previous regulatory period.

However, there are concerns that the proposed Rule Change may conflict with clause 6.6.2(a) of the National Electricity Rules, which requires that the Service Target Performance Incentive Scheme (STPIS) provide incentives for network service providers to maintain and improve service performance. The AER has implemented this requirement by setting STPIS targets using performance outcomes over the previous five years.

Furthermore, the Commission's National Workstream for the '*Review of distribution reliability outcomes and standards*' is recommending that a national reliability framework require the AER to base the STPIS on targets set by the jurisdictional target setter, which also has the potential to create a similar conflict with clause 6.6.2 of the Rules. Therefore, Energex suggests that the Commission consider redrafting the Rule Change to address these conflicts.

Given the interrelationships and complexities between the various jurisdictional and national reviews into reliability, Energex considers it particularly important that they are managed in a coordinated manner to provide regulatory certainty in the lead up to the next round of determinations and preparation of regulatory proposals. If you have any questions regarding this response, please do not hesitate to contact me on 07 3664 4047.

Yours sincerely

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