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

Dear Mr Pierce

**Consultation Paper on Savings and Transitional Arrangements for the Draft National Electricity Amendment (Economic Regulation of Network Service Providers) Rule 2012**

Thank you for the opportunity to provide input to the *Consultation Paper on Savings and Transitional Arrangements for the Draft National Electricity Amendment (Economic Regulation of Network Service Providers) Rule 2012*.

Aurora Energy Pty Ltd, ABN 85 082 464 622 (Aurora) is an incorporated, State Government owned fully integrated energy and network business, with complementary activities in telecommunications and energy-related technologies. Aurora provides electricity generation, retail and distribution services to more than 270,000 customers in the Tasmanian jurisdiction. In this document, reference to Aurora should be taken as reference to Aurora in its capacity as the provider of distribution services licensed by the Regulator under the *Electricity Supply Industry Act 1995*.

Aurora is keenly aware of the impact of rising electricity prices on its customers. To this end, Aurora has implemented a business-wide strategy to meet customer needs at the lowest sustainable cost. This strategy was a fundamental driver of Aurora's Regulatory Proposal for 2012-2017. Aurora welcomes changes to the National Electricity Market framework that leads to more efficient outcomes for customers.

Aurora therefore understands the Australian Energy Market Commission's (AEMC) motivation behind the proposed arrangements in order to facilitate a transition to the new Rules. However, for Aurora specifically, we consider that the approach proposed in the Transitional Arrangements Consultation Paper is not optimal, creating an unnecessarily complex and potentially expensive regulatory requirement.

For Aurora, it is proposed that a delay of 12 months to the forthcoming regulatory period will occur, pushing the start date out from July 2017 to July 2018. This will necessitate Aurora submitting a mini regulatory proposal by end September 2016 for a one year transitional determination. This 'mini' proposal will overlap with the 'standard' regulatory proposal process which will now be due for initial submission by November 2016 under the revised timeframe.

Given the new Rules and guidelines are expected to be in place by the end of 2013, Aurora believes a delay of 12 months is not necessary to enable Aurora to submit its regulatory proposal under the existing timetable and in accordance with the new Rules. This is a result of Aurora's current regulatory control period having only just commenced and notes this not the case for other NSPs with regulatory proposals due in the near term. Having regard to the significant costs and resources associated with the preparation of two regulatory proposals at essentially the same time, the proposed framework adds an unnecessary layer of complexity and cost from Aurora's perspective. Aurora recognises that one of the AEMC's principles for the transitional arrangements revolves around the Australian Energy Regulator's (AER) resourcing constraints, as well as the resourcing capacity of other stakeholders. However, Aurora observes that all costs borne by DNSPs in the regulatory process are passed through to customers and believes that the additional work required by both Aurora and the AER for the one-year transitional determination will be significant.

The AEMC would also be aware of the Tasmanian Government's intention to merge Aurora's distribution business with Transend Networks. While Aurora does not believe it is appropriate to comment on the specific impact of the proposed transitional arrangements on Transend, Aurora notes the Tasmanian Government's intention from the merger is to seek operational and dynamic efficiencies to reduce price impacts on customers. The merger is currently scheduled to occur by 1 July 2014.

There is significant uncertainty regarding the specifics of the merger at this stage. However, the implications of a new operating model for Aurora and Transend are significant and there may be a need to reassess the regulatory determinations to ensure customers needs are met in the most efficient manner possible. Having regard to the uncertainty that exists at this time, Aurora would support transitional arrangements for Tasmania that provide the flexibility for the AER and the new 'merged' business to agree alternate arrangements following the Tasmanian Government's decision.

Yours sincerely



Anton Voss  
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