

9 July 2008

Dr John Tamblyn
Chairman
Australian Energy Market Commission
Level 5, 201 Elizabeth Street
Sydney NSW 2000

By email: submissions@aemc.gov.au

Dear Dr Tamblyn

Cost Allocation Arrangements for Transmission Services

Grid Australia notes that the Commission is currently considering this Rule change proposal submitted by the National Generators Forum (NGF) in respect of transmission entry and exit charges.

Grid Australia made a submission in response to the proposal on 2 May 2008. In that submission it foreshadowed making a further submission to address the issues identified by Grid Australia.

In developing this further submission Grid Australia consulted with the NGF and tried (wherever possible) to address both the issues raised by the NGF in its Rule change proposal and the additional issues raised by Grid Australia in its first submission.

Enclosed with this letter is a further submission from Grid Australia which attaches alternative drafting.

Grid Australia wishes to highlight three issues which arise from this submission:

- Grid Australia's alternative drafting involves a rewrite of clause 11.6.11 of the Rules to make clear that the application of Chapter 6A of the Rules to *connection services* 'grandfathered' under clause 11.6.11 as *prescribed transmission services* occurs in relation to the *transmission system* 'assets' used to provide the *connection services* and not the 'costs' of those assets. In contrast, the NGF proposal seeks to 'grandfather' certain 'costs' related to the provision of the *connection services*.

- Grid Australia provides specific drafting to address the issues raised by the NGF and in Grid Australia's initial submission. However if the Commission adopts this proposal, there will be a need for further detailed transitional or consequential provisions. The detail of this will require some work on the part of affected parties and further discussions with the Commission.
- Grid Australia's alternative drafting also highlights an existing question which the Commission will need to address concerning application of the *Cost Allocation Principle* that costs that have been allocated to *prescribed transmission services* must not be reallocated to *negotiated transmission services*. Regardless of which formulation may be adopted to give finite operation to the deeming under clause 11.6.11 of *connection services* as *prescribed transmission services*, consideration will be required of how this *Cost Allocation Principle* operates in respect of services which undergo a change of classification.

Grid Australia again looks forward to working constructively with the AEMC, the NGF and other stakeholders in the next phase of the Rule change process.

Yours sincerely



Greg Hesse
Acting Convenor
Regulatory Manager Group