

19 June 2008



Dr John Tamblyn  
Chair  
Australian Energy Market Commission  
PO Box H166  
**AUSTRALIA SQUARE NSW 1215**

Dear Dr Tamblyn

**AEMC Rule Change – WACC Parameter Values, Equity Beta and Gamma**

ENERGEX appreciates the opportunity to respond to the Australian Energy Market Commission's (AEMC) request for comments on the proposed Rule change to Weighted Average Cost of Capital (WACC) Parameters Values, Equity Beta and Gamma.

The AEMC Rule Determination No 18 entitled *National Electricity Amendment (Economic Regulation of Transmission Services) Rule 2006 No18*, dated 16 November 2006, provides for the value of gamma and equity beta to be considered by the AER as part of scheduled 5-year reviews of WACC parameters, with amendments to be made to beta values if compelling evidence arises to warrant a change. On 12 June 2008, the AER advised the market that it will commence the review of the WACC parameters to apply to electricity transmission and distribution businesses in July/August 2008 through the release of an issues paper. A full consultation process is expected and this review will culminate with a release of a Statement of Regulatory Intent (SRI) in March 2009.

ENERGEX considers that in the interests of market efficiency the AER's scheduled review of the WACC parameters represents the appropriate forum for consideration of the issues related to the EUAA's proposed rule change.

ENERGEX along with other TNSP's and DNSP's is preparing for the AER's first national review of WACC. It is our belief that any proposed Rule change to modify the WACC parameters prior to the AER's SRI may not only conflict with the forthcoming review, but is unlikely to be completed in sufficient time to be applied ahead of the AER's SRI.

Hence, ENERGEX is of the view that the proposed rule change should not be supported on the basis that it prejudices the AER's scheduled review of the WACC parameters to be completed by 31 March 2009. The EUAA's proposal would be more appropriately considered as part of that consultation process.

Should you have any queries in relation to the above please do not hesitate to contact me directly on (07) 3247 6409.

Yours sincerely

A handwritten signature in blue ink that reads "Kevin Kehl".

Kevin Kehl  
Director Revenue Strategy

Reference: RS08-011



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