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Dr John Tamblyn,
Australian Energy Market Commission,
PO Box H166,
Australia Square, NSW 1215.

Dear Dr Tamblyn,

Re: Obligations of Network Service Providers – Connection Applications

I refer to the submission by EnergyAustralia dated 18 August 2006 and wish to make the following comments.

1. EnergyAustralia's submission states that:

- *'The proposed rule completely ignores the fact that (for distribution networks) New South Wales imposes existing jurisdictional obligations in relation to the accreditation of service providers and the keeping of registers of such persons;'* and that
- *'Under the NSW Electricity Supply Act 1995, the Department of Energy, Utilities and Sustainability (DEUS) is the accrediting agency for service providers who wish to be accredited to undertake contestable works. DEUS provides a list of accredited service providers on its web site.'*

Consistent with that arrangement Clause 31 of the NSW *Electricity Supply Act 1995* provides that customers may choose any accredited party to provide what are defined as contestable services.

However, the NSW arrangements relate to fundamentally different circumstances to those in the proposed Rule. In particular:

- The NSW regulatory framework has its basis in the *Code of Practice, Contestable Works*¹. The Code of Practice aims *'to allow electricity customers much more*

¹ Electricity Association of NSW, *Code of Practice, Contestable Works*, March 1998 (**Code of Practice**)

choice in who provides a range of goods and services associated with the supply and use of electricity².' In brief:

'Under the Act, customers are required to fund certain works which are required to enable new or expanded connection to the electricity network. These works then become contestable and the customer may choose a service provider to carry out these works. Such choice facilitates competition between providers of these services³.'

- *'Being contestable means that service providers other than the DNSPs are able to provide the service⁴.'* However, in opening a range of goods and services to contestability it was necessary to implement safeguards:

*'(c) to protect distribution assets associated with or affected by the performance of contestable works, and
(d) to maintain the safety, reliability and efficiency of connection services⁵.'*

These safeguards include:

- 2. Contestable works must be undertaken by an accredited Service Provider. Any internal contracting business operated by electricity distributors must be independently accredited.*
 - 3. Design, construction and/or installation technical standards or requirements for contestable work will be set by the local electricity distributor in whose network area the works will be sited, in accordance with any applicable Act, Regulation, Code or guideline⁶.'*
- That all contestable *'works are in compliance with the local electricity distributor's standards and specifications⁷'* is quite reasonable given that under the NSW arrangements it is intended that the local network owner takes ownership of the works, including responsibility for their longer term operations and maintenance.

The fundamental difference between the NSW scheme and the proposed Rule is that the latter refers to a situation where someone other than an incumbent network owner takes ownership of the works, including responsibility for their longer term operations

² The Code of Practice, page 4

³ The Code of Practice, page 4

⁴ IPART, *NSW Electricity Distribution Pricing 2004/05 to 2008/09 Final Report*, June 2004, page 173

⁵ The Code of Practice, page 5

⁶ The Code of Practice, page 7

⁷ The Code of Practice, page 10

and maintenance. Of course this requires the third party to comply with various legislative requirements (e.g. licensing, safety and technical standards, etc) and to implement other commercial arrangements (e.g. insurance, purchase of spares, etc) i.e. the third party becomes an electric utility.

2. EnergyAustralia's submission considers that '*a single, independent body*' should maintain the relevant registers, instead of the network owners.

This suggestion would have some merit if the new obligations were particularly onerous. That this is certainly not the case is specifically highlighted by AGL Hydro in its submission dated 31 August 2006 viz '*we.....consider the proposal by ESA to be a minor change...*'

There are also benefits in making the party that receives connection enquiries advise connection applicants regarding contestable service providers.

On that basis the arrangements in the proposed Rule are considered appropriate.

Please do not hesitate to contact me if you require any further clarification on the above matters.

Regards,

Dr. Tony. Cook
Managing Director

This letter has been sent electronically and therefore has no signature