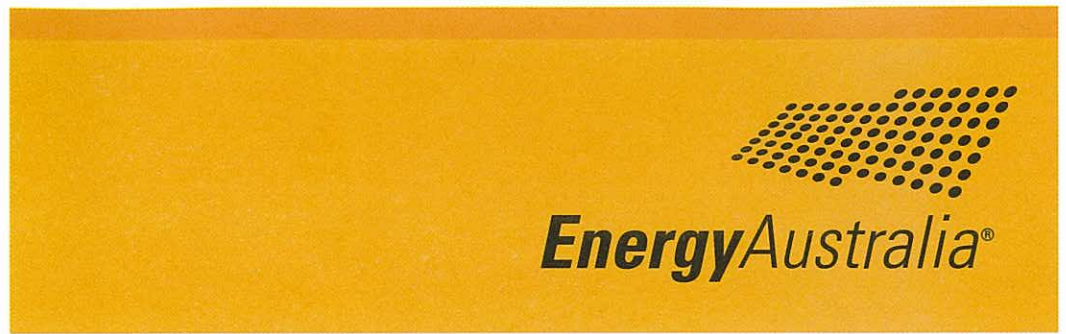


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6 March 2009

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235
By email to: submissions@aemc.gov.au

Dear Dr Tamblyn

Submission on TransGrid's proposal to use the AER's draft decision on maximum allowed revenue

EnergyAustralia welcomes the opportunity to comment on the above proposal by TransGrid. The proposed draft Rule provisions seek to permit transmission network service providers (TNSPs) to use the Australian Energy Regulator's (AER) decision on the maximum allowed revenue (MAR) to calculate transmission prices for the first year of a regulatory control period.

EnergyAustralia supports TransGrid's proposal to use the MAR specified in the AER's draft decision to calculate transmission prices. As noted in our previous submissions to the AEMC, there is currently a misalignment between the publication date for transmission prices and the date for submission of a distribution pricing proposal. Consequently, EnergyAustralia is required to make its own estimation of the transmission prices for the purpose of its distribution pricing proposal and in doing so, faces significant financial risk of under-recovering TUoS that is collected on behalf of TransGrid. Under the current arrangements, EnergyAustralia is obliged to pay TransGrid the TUoS calculated using the final MAR. Any shortfall is therefore paid by EnergyAustralia in the short term. This is a financial risk over which we have no control.

We consider that TransGrid's rule change proposal alleviates the TUoS recovery risk faced by EnergyAustralia in that it enables TransGrid to bear the revenue variation resulting from differences between the draft and final MARs. On this basis, EnergyAustralia supports TransGrid in its proposed rule change.

If you have any questions or would like to discuss any aspect of this submission in greater detail, please do not hesitate to contact Ms Catherine O'Neill on 9269 4171.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Trevor Armstrong", with a stylized flourish at the end.

TREVOR ARMSTRONG
Executive General Manager
System Planning & Regulation