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Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box A2449
SOUTH SYDNEY NSW 1235

Dear Dr Tamblyn

Response to Rule Change Proposal: Payments Under Feed-in Tariff Schemes and Climate Change Funds (reference code ERC0097)

Thank you for the opportunity to comment on ETSA Utilities' request to amend chapter 6 of the National Electricity Rules (the Rules) to provide an explicit mechanism for recovering payments under feed-in tariff schemes and climate change funds.

ActewAGL Distribution supports in principle the mechanism proposed by ETSA Utilities. A feed-in tariff scheme commenced in the ACT in March 2009, just 2 months prior to the release of the AER's 2009-14 ACT electricity network final determination. ActewAGL Distribution's preferred mechanism for recovery of the direct tariff payments under the scheme was to include a forecast of the payments in its 2009-14 expenditure forecasts and adopt an annual adjustment mechanism, of the type used for transmission use of system payments and now proposed by ETSA Utilities in the Rule change request, to correct for differences between forecast and actual payments.

In the final determination the AER approved the inclusion of forecast direct tariff costs, but did not accept the proposed annual adjustment. Instead, the AER adopted a new cost pass through event to allow an annual adjustment of prices where there is a material difference between actual and forecast tariff payments. This arrangement was proposed by ActewAGL Distribution as an alternative if the AER did not accept the proposed annual "overs" or "unders" adjustment mechanism.

While ActewAGL Distribution supports in principle the mechanism proposed by ETSA Utilities, we consider that clarification is required regarding the scope of the mechanism and the transitional arrangements.

In the proposed Rules text amendments, ETSA Utilities includes a definition of feed-in tariff schemes. The definition includes the following comment:

> As at the date of this Rule change only photovoltaic feed-in schemes have been introduced but possible wind tariff schemes have been mooted and other generation types are possible.[1]

This statement is not correct and therefore should not be included in any new definition. The ACT feed-in tariff scheme, introduced in March 2009, applies to renewable generation, including wind generation. ActewAGL Distribution considers that the Rule change must make clear that the scope of the cost recovery mechanism extends beyond photovoltaic schemes and accommodates all current and future renewable energy schemes.

ActewAGL Distribution's other concern relates to transitional arrangements. In the Rule change request, ETSA Utilities notes that the AER's 2009-14 determination for the ACT requires forecasts of the tariff payments, with an annual cost pass through for differences between actual and forecast amounts. ETSA Utilities then comments:

> This rule change could allow either for that decision to stand or for ActewAGL's determination to be amended.[2]

ActewAGL Distribution understands that the proposed Rule change would not provide grounds for re-opening and amending the ACT determination. Furthermore, while ActewAGL Distribution's preferred cost recovery mechanism was the annual adjustment, as now proposed by ETSA Utilities, we consider that given the cost pass through mechanism has now been adopted in the ACT determination, it would not be appropriate to require this arrangement to be amended and replaced with ETSA Utilities' proposed mechanism during the regulatory period.

In the Consultation Paper on the Rule change request, the Australian Energy Market Commission (AEMC) seeks comment on possible transitional provisions to ensure an efficient application of the mechanism to DNSPs which are at different points in the regulatory cycle. ActewAGL Distribution considers that if the Rule change proposal is implemented, there should be no requirement for existing feed-in tariff scheme cost recovery mechanisms to be amended during the regulatory period.

Please contact Leanne Holmes, Manager Network Regulation (0412 850715) if you would like to discuss any aspect of our submission.

Yours sincerely

David Graham
Director Regulatory Affairs and Pricing

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[1] ETSA Utilities, Rule change proposal, Appendix A1, p. 2.
[2] ETSA Utilities, Rule change proposal, p. 10.