

Energy Solutions Australia Pty Ltd

ACN: 106 746 918

PO Box 131,
Wilston, QLD 4051
Phone: (07) – 3356-2626

8 August 2006

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

Dear Dr Tamblyn,

Re: Application for the Making of a Rule

On 14 July 2006 Energy Solutions Australia Pty Ltd (Energy Solutions) applied to the Australian Energy Market Commission (AEMC) for the making of a Rule pursuant to Clause 96 of the *National Electricity (South Australia) (New National Electricity Law) Amendment Act 2005*.

This correspondence further elaborates on certain aspects of that application. In particular, it further illustrates how an incumbent Network Service Provider presently has a competitive advantage over new entrants in the provision of contestable services.

The AEMC has previously described contestable services as including ‘generator connection assets (from the generator to the busbar); and a single transmission line connecting a single, remote generator to a shared network¹.’ Consider therefore a new entrant desiring to build, own and operate connection network services.

In the first instance it should be noted that connection network services have traditionally been provided largely by the incumbent network owners. If the competition objectives of the National Electricity Rules (the Rules) are to be successful it is therefore important to ensure that the new entrant competes ‘on a level playing field.’

Issues that therefore need to be addressed to achieve a level playing field include:

- The availability of information
The Rules require that a new generator wishing to connect lodge a connection enquiry with the incumbent network owner. This in itself is entirely appropriate. However, this requirement means that the incumbent network owner obtains the identity of a potential customer. Unfortunately for the new entrant this information is not likely to

¹ AEMC, *Review of Electricity Transmission Revenue and Pricing Rules, Consultation Program, Revenue Requirements: Issues Paper*, October 2005, page 39

Energy Solutions Australia Pty Ltd

ACN: 106 746 918

PO Box 131,
Wilston, QLD 4051
Phone: (07) – 3356-2626

be generally available and the identity of the potential customer is therefore of strategic value.

- **Costs associated with obtaining information**
The new entrant may need to expend considerable resources just to identify potential customers. In contrast, the incumbent will have obtained that information at little or no cost.
- **The timeliness of the availability of information**
The new entrant is at a competitive disadvantage even when it finally identifies the potential customer. That is because of the time delay associated with that process. In a worst case scenario the customer may have already contracted with the incumbent network owner for the provision of the required connection network services by the time the new entrant has even identified them. The new entrant will therefore have spent considerable time and effort for no benefit whatsoever.

The proposed Rule provides a mechanism through which these issues can be addressed.

It should be noted that in providing a level playing field for new entrants benefits will also be delivered to Connection Applicants. These include all of the advantages normally associated with the competitive provision of services i.e. the potential for innovation, freedom of choice, the potential for lower prices, a greater variety in the scope of services offered, greater flexibility in the commercial terms and conditions, etc.

Regards,

Dr. Tony. Cook
Managing Director

This letter has been sent electronically and therefore has no signature