

Ref: CW:MR:C1421987

1 October 2010

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

Rule Change Consultation paper - National Electricity Amendment (DNSP Recovery of Transmission-related Charges) Rule 2010

Country Energy welcomes the opportunity to provide input into the Australian Energy Market Commission's (AEMC's) Rule change consultation – National Electricity Amendment (DNSP recovery of transmission-related charges).

Country Energy supports the Rule change proposal made by United Energy to amend the distribution pricing proposal provisions of the National Electricity Rules ("the Rules") to provide for the explicit inclusion of transmission-related charges, inter distributor payments and avoided TUOS payments in a distribution network service provider's (DNSP) pricing proposal.

Country Energy believes that the arrangements under the current NSW regulatory control period, as reproduced below, should be replicated for all regulatory determinations and would enable appropriate recovery of all transmission related costs for DNSPs.

AER guideline on control mechanisms for direct control services for the ACT and NSW 2009 distribution determinations appendix B: transmission cost recovery tariffs:

The AER will allow each DNSP to recover its actual transmission related payments, net of transmission settlement residue payments, through transmission cost recovery tariffs. Transmission related payments include:

- *transmission charges paid to TNSPs for use of transmission system*
- *avoided TUOS paid to embedded generators*
- *payments made to other DNSPs for use of their network*

Each DNSP bases its transmission cost recovery tariffs for each year on a forecast of the transmission related payments for that year. Where there is a difference between the forecast and actual transmission related payments, resulting in an over or under recovery of TUOS charges for year t-2, DNSPs will be able to recover or return this amount in year t.

In accordance with clause 6.18.7 of the transitional Chapter 6 rules, the AER will use the following formula to determine the amount DNSPs will recover for TUOS charges:

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Amount to be passed onto customers in year t = Forecast TUOS t + overs and unders adjusted to be applied in year t

Where:

Overs and unders adjustment to be applied in year t = amount actually paid by DNSPs for TOUS in year t-2, minus the amount passed onto customers by way of TUOS charges by the DNSP in year t-2

Country Energy believes that implementing the proposed rule change will remove any further opportunity for the Rules to be interpreted differently by various bodies and will ensure consistent treatment of these transmission-related costs by DNSPs across all NEM jurisdictions.

If you would like clarification or further information associated with Country Energy's position on this matter then please do not hesitate to contact Catherine Waddell on 02 6338 3553.

Yours sincerely



Peter Williams
Acting General Manager Regulatory Affairs and Commercial Strategy