

1 December 2011

Mr John Pierce
Chairman
Australian Energy Market Commission
Reference: EPR0027
PO Box A2449
Sydney South NSW 1235



positive energy

Email: submissions@aemc.gov.au

Dear Mr Pierce,

Response to AEMC Issues Paper – Review of Distribution Reliability Outcomes and Standards, New South Wales Workstream

ENERGEX welcomes the opportunity to provide comment on the Australian Energy Market Commission's issue paper relating to the Review of Distribution Reliability Outcomes and Standards, New South Wales (NSW) Workstream. ENERGEX provides this response as a Distribution Network Service Provider (DNSP) in Queensland.

ENERGEX acknowledges that results from the NSW Workstream are likely to flow into the National Workstream and will have an impact on ENERGEX's operations and obligations. It is in this context that ENERGEX is providing comments.

ENERGEX notes that the AEMC's approach to the NSW Workstream includes an assessment of the costs associated with changes or improvements to reliability objectives and standards, and the impact of costs on consumers. As expressed in previous submissions to the Australian Energy Market Operator (AEMO) on reliability, ENERGEX believes that it is important that reliability and security standards are informed by the value that customers place on increased reliability (VCR).

ENERGEX supported AEMO's proposal to develop regionally specific VCRs for TNSPs and emphasised the importance of accurate VCRs specific to an operating region. ENERGEX suggested that a VCR consultation for DNSPs also be undertaken. This is relevant to the regulatory and operating environment of distribution businesses and specifically influences: the Regulatory Investment Test for Distribution; the Service Target Performance Incentive Scheme; and the establishment of jurisdictional network security and reliability standards.

It should be noted that reliability can be delivered through the use of smart network options rather than deterministic planning, and in the event that a national best practice framework is developed, initiatives that emerge from

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the development of smart networks should be considered in conjunction with contemporary best practice.

ENERGEX looks forward to contributing to the second part of the AEMC's review in analysing the different approaches to setting distribution reliability outcomes across the NEM.

Should you wish to discuss these matters further, please contact Louise Dwyer, Group Manager Regulatory Affairs, on (07) 3664 4047 or louisedwyer@energex.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read "Kevin Kehl". The signature is written in a cursive style with a large initial 'K'.

Kevin Kehl
Executive General Manager Strategy and Regulation
ENERGEX Limited