

1 October 2010

Mr John Pierce
Chairman
Australian Energy Market Commission
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By online submission

Dear Mr Pierce

DNBP recovery of transmission-related charges Rule change proposal

Thank you for the opportunity to comment of the Rule change proposal put forward by the Victorian Distribution Businesses'. We support the principle of the Rule change on the basis that it ensures that the regulatory framework for the pass through of transmission related costs to distribution businesses is clearer and more efficient.

AEMO agrees with the AER's interpretation of the Rule for the purposes of the recent Victorian Distribution Revenue Determination. However, we consider that the charges referred to are legitimate charges that a Distribution Network Service Provider (**DNBP**) should be capable of recovering. We therefore support an amendment to the Rules to allow the fair and efficient recovery of costs outlined in the Rule change.

AEMO conducts joint planning with each of the Victorian Distribution Network Service Providers which has involved joint assessments and consultations under the Regulatory Investment Test for Transmission (**RIT-T**). The joint planning measures under the Rules ensure the efficient identification and development of connection services where transmission augmentation is required and is regulated appropriately. This Rule change will clarify that costs identified in these joint RIT-T assessments may be recovered by DNBP's where they cover prescribed services.

We note that the joint planning arrangements in Victoria are unique given the responsibility for planning transmission to distribution connection services resides predominately with the DNBP's, but ownership is by the Victorian shared transmission system operator. To further facilitate the joint planning process in Victoria, a Memorandum of Understanding is being developed between AEMO and the Victorian distribution businesses. This will clearly outline mechanisms to ensure the efficient and effective management of these projects.

AEMO does not believe that the broader matters raised in the Consultation Paper are pertinent to objectives of the proposed change and would appreciate the opportunity to discuss separately these matters with the AEMC.

For further discussion, please contact Franc Cavoli on (03) 9609 8416.

Yours sincerely

David Swift
Executive General Manager Corporate Development