



30 March 07

Dr John Tamblyn
Chair
Australian Energy Market Commission
PO Box H166
AUSTRALIA SQUARE NSW 1215

Dear Dr Tamblyn

**AEMC Draft Rule Determination – Obligations of Network Service Providers –
Connection Applications**

The Energy Networks Association (ENA) welcomes the opportunity to respond to the AEMC Draft Rule Determination - *Obligations of Network Service Providers: Connections Applications* released on 15 February 2007.

ENA strongly agrees with the AEMC's draft decision to reject the Rule proposed by Energy Solutions as it will not contribute to the national electricity market objective. ENA supports the AEMC's principal reasoning that the proposal would result in costs far outweighing any possible benefits of the scheme. Energy network businesses remain strongly of the view that:

- Effective competition already exists in this area – numerous competitors are actively and successfully competing for the provision of contestable network services;
- Insufficient evidence exists to support Energy Solutions' claim that the proposed change will result in improving competition;
- Any potentially benefits as suggested by Energy Solutions' will be significantly outweighed by the numerous risks and costs (including administrative, management, re-training and legal costs) of the proposal which ultimately would be passed on to consumers;
- Claimed information asymmetries outlined in the rule proposal do not exist as the type of customers that will be connecting to a network are typically large corporations with sufficient knowledge, experience and resources who are able to seek out competitors and negotiate as they consider appropriate;
- The proposed Rule would result in unnecessary duplication with current jurisdictional arrangements; and

It should be clarified that the significant costs and risks that the network businesses would be exposed to under the Energy Solutions proposal would be similar regardless whether the list consisted of network owners or other competitors.

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Energy Solutions has provided a list of benefits that would result from their proposal which includes: potential for innovation; freedom of choice; potential for lower prices; greater variety in the scope of services offered; and greater flexibility in the commercial terms and conditions.

The above benefits outlined by Energy Solutions result from a competitive market for contestable services which has already been demonstrated to exist.

If the AEMC did consider it necessary for a network owner list to be maintained, contrary to the evidence against this, the ENA consider such a list should be either added to the existing jurisdictional lists, or that they should be managed by an independent and neutral body such as the ACCC.

The ENA supports the AEMC's draft decision and does not consider there to be any further sufficient reasons to alter the AEMC's decision.

Please feel free to contact me on (02) 6272 1555 if you have any queries relating to this letter, or wish to discuss any aspect of ENA's comments further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'ABlyth', followed by a period.

Andrew Blyth
Chief Executive
Energy Networks Association