

10 November 2011

Mr John Pierce
Chair
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235



positive energy

Reference: ERC0068

Dear Mr Pierce

Draft Rule Determination - Total Factor Productivity for Distribution Network Regulation

ENERGEX supports the Australian Energy Market Commission (AEMC) Draft Rule Determination for the National Electricity Amendment (Total Factor Productivity for Distribution Network Regulation) Rule 2011, to not make a draft rule given that the necessary pre-conditions for applying a Total Factor Productivity (TFP) methodology are not present at the current time.

ENERGEX does not support the introduction of TFP or the initial data collection rule as discussed in the draft rule determination, as ENERGEX believes that no significant efficiency point of difference exists between the building block approach and TFP-based methodology. ENERGEX considers that significant further work needs to be undertaken to have any confidence that purported benefits of TFP can be derived.

ENERGEX believes that the costs of additional data collection to facilitate TFP may be substantial based on previous refinements and additions to data reporting requirements. Balance in terms of the information requirements and the associated costs, is essential, particularly as customers will eventually fund these costs.

ENERGEX is of the opinion that consultation is critical not only in developing any proposed dataset but in developing a TFP specification and establishing the existence of the pre-conditions. ENERGEX seeks to emphasise the importance of consultation for any rule changes, as ultimately, businesses will only consider opting for TFP regulation in the future if they have confidence in the design of the TFP model and information dataset.

If you wish to discuss this submission further, please contact Ms Louise Dwyer, Group Manager, Regulatory Affairs on (07) 3664 4047 or louisedwyer@energex.com.au.

Yours sincerely

Kevin Kehl
Executive General Manager – Strategy and Regulation

Enquiries
Louise Dwyer
Telephone
(07) 3664 4047
Facsimile
(07) 3664 9816
Email
louisedwyer@energex.com.au

Corporate Office
26 Reddacliff Street
Newstead Qld 4006
GPO Box 1461
Brisbane Qld 4001
Telephone (07) 3664 4000
Facsimile (07) 3025 8301
www.energex.com.au

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ENERGEX Limited
ABN 40 078 849 055