



Hydro Tasmania
the renewable energy business

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Dr John Tamblyn,
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Emailed: submissions@aemc.gov.au

Regulatory Test Thresholds and Information Disclosure on Network Replacements

Dear John,

Hydro Tasmania would like to thank the AEMC for this opportunity to assist the Commission in its review of the proposal by ETNOF to change the Rules in relation to the Regulatory Test thresholds and information disclosure on network replacements.

In this submission, Hydro Tasmania expresses its support for the principles outlined by ETNOF and the aim of reducing the overheads associated with economically efficient changes to the transmission network. However, we have previously expressed our concern in relation to the use of absolute thresholds in the Rules, (for small and large network assets) and wish to re-iterate our concern in this submission.

The main point of our submission is therefore that the impact of a five million dollar expenditure on a small customer base such as Tasmania's is proportionally much greater than the same expenditure in, for example, Queensland. Table 1 below shows the RAB for the five TNSPs who are parties to the ETNOF submission and the existing and suggested thresholds as percentages of that RAB value.

	RAB (\$M)	\$1M	\$5M	\$10M	\$35M
Electranet ¹	1115	0.09%	0.45%	0.90%	3.14%
Powerlink ²	3753	0.03%	0.13%	0.27%	0.93%
SP AusNet ³	2077	0.05%	0.24%	0.48%	1.69%
Transend ⁴	844	0.12%	0.59%	1.18%	4.15%
Transgrid ⁵	3013	0.03%	0.17%	0.33%	1.16%

Table 1 :- Existing and Proposed Thresholds as Percentages of RAB

¹ Draft Determination, Nov 07,

² Final Determination Jun 07

³ Final Determination, Jan 08

⁴ Final Determination, Dec 03

⁵ Final Determination, Apr 05

It seems to us that, to preserve the balance between, on the one hand, the degree of regulatory scrutiny and on the other, the impact on customers, it would be appropriate to have a threshold, which varied in some way with the total regulated asset base for each jurisdiction.

In addition, we would ask ETNOF to justify their suggested move away from CPI to PPI as an escalatory measure. Whilst we can see that from a producer's perspective the PPI is appropriate, from a paying customer's perspective this is not immediately apparent as the best outcome in the longer term. (The deeper question is why the two indices differ so much). The PPI escalation suggested by ETNOF will impact disproportionately on those whose incomes are CPI related.

Hydro Tasmania proposes that the Regulatory Test thresholds for each TNSP be different and be based on a fixed percentage of the RAB for that year. In this way, no indexing will be required and the degree of scrutiny will automatically be varied, in relation to the proposed expenditure relative to the size of the associated local network.

If you require any further information, please contact me on (03) 6230 5471.

Yours sincerely,



Rachel Steven
Acting Manager, Market Regulation