

3 August 2012

The Commissioners
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Sent by: online lodgment

Dear Sirs

**Assumed utilisation of imputation credits
Rule change proposal ERC0143**

Major Energy Users Inc (MEU) has reviewed the AEMC Draft Decision addressing the rule change proposed by SP Ausnet and ElectraNet seeking to change the value of gamma in the Rules to use the value set by the Australian Competition Tribunal (of 0.25) rather than that set by the AER at the 2009 WACC review.

The Draft Decision highlights that the AEMC should not make a rule as suggested by ElectraNet and SP Ausnet because:

- The framework for setting the WACC parameters is codified in the Rules and making changes on an ad hoc basis would increase regulatory uncertainty
- Making a unilateral change to “gamma” without assessing all other related inputs could impact the incentive arrangements for network businesses inherent in the Rules
- It is not the role of the AEMC to review inputs of the WACC development – this is the role of the AER.

The MEU agrees with the salient points made by the AEMC in its draft decision and the conclusions that it reaches from these.

However there is one aspect of the Draft Decision that the MEU considers the AEMC should have addressed. The National Electricity Objective (NEO) is crafted in such a way that decisions about change need to reflect the long term interests of consumers. In this review the AEMC focused purely on the incentives for efficient

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investment. The NEO is about ensuring the welfare of consumers (present and future) is maximized. The MEU considers that this aspect – the welfare of consumers – should have been addressed in more detail.

The MEU considers that the rule change proposal would have negatively impacted on the welfare of consumers but without any compensating benefit.

Yours faithfully

A handwritten signature in black ink, appearing to read "David Headberry". The signature is written in a cursive style with a prominent loop at the end.

David Headberry
Public Officer