

8 August 2008

Mr John Tamblyn  
Chairman  
Australian Energy Market Commission  
Level 5, 201 Elizabeth Street  
Sydney NSW 2000

By email: [submissions@aemc.gov.au](mailto:submissions@aemc.gov.au)

Dear John,

**Grid Australia Submission to AEMC on EnergyAustralia's Variation of Publication Date of Transmission Network Prices: Rule Change Proposal – Written Objection**

Grid Australia would like to thank the Australian Energy Market Commission (AEMC) for the opportunity to comment on the abovementioned Energy Australia Rule Change proposal (published on 24 July 2008).

Grid Australia is strongly of the view that a number of issues impacting upon Transmission Network Service Providers (TNSPs) make this proposal more complex than currently portrayed by EnergyAustralia, and consequently the proposal should not be viewed as 'non-controversial'. As such this submission represents a written objection from Grid Australia to expediting the making of the proposed Rule under Section 96 of the National Electricity Law.

Whilst acknowledging and understanding some of EnergyAustralia's arguments for such a change, Grid Australia is of the view that there are material issues associated with the proposal which, at a minimum, require a more thorough consultation process to be undertaken. Most importantly, the accuracy of forecast transmission pricing estimates would come into question with the application of two months less actual data. Particular issues, include:

- less certainty in the calculation of current year and forecast Inter Regional Settlement Residues; and
- less certainty in the calculation of current year revenue recovery for TNSPs.

These factors introduce additional price volatility which will impact upon TNSP's 'unders and overs' accounts, and hence distort the accuracy of TUOS prices.

In addition, there are practical implementation matters relevant to specific TNSPs that need to be considered. For example, there are extra steps involved in setting prices each year when a TNSP is a co-ordinating TNSP for a number of TNSPs within a region, or across regions.

These steps require delivery of information from other TNSPs to the co-ordinating TNSP at even earlier times linked to the new final publication date.

Further some TNSPs have recently lodged revenue proposals for the five years commencing 1 July 2009. For these TNSPs a final revenue cap decision for the following financial year will not be settled in time to set prices in accordance with EnergyAustralia's proposed timetable. The relevant Transmission Pricing Methodologies will not have been approved by the AER either, potentially delaying the implementation of the most recent transmission pricing Rules by a year.

It is also noted that, under the EnergyAustralia proposal, there would be a requirement to forecast March quarter CPI for revenue escalation and that the Australian Energy Regulator would not have made a determination on the 'S-factor' for the previous calendar year's Performance Incentive Scheme outcomes.

In summary, Grid Australia considers that the rule change should not be deemed 'non-controversial' as it may have a material impact on the accuracy of transmission network prices and price certainty. In addition, there are practical implementation issues for some TNSPs that need to be more carefully considered. For these reasons this proposal should be subjected to full stakeholder consultation by the AEMC.

Grid Australia would be pleased to discuss any aspects of this submission with the Commission or its staff.

Yours sincerely,



Rainer Korte  
**Chairman**  
**Regulatory Managers Group**