26 March 2015

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

AEMC Consultation Paper - Aligning TasNetworks' Regulatory Control Periods

Dear Mr Pierce

The Energy Networks Association welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Consultation Paper *Aligning TasNetworks' regulatory control periods*.

By way of background, the Energy Networks Association (ENA) is the national industry association representing the businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia. ENA members own assets valued at over $100 billion in energy network infrastructure.

In this letter, the ENA provides support to TasNetworks' proposed rule change to align the regulatory control periods for its electricity distribution and transmission networks. Also, the ENA considers that the AEMC's alternative indicative rule would equally achieve the desired outcome.

The ENA considers that alignment of regulatory periods for TasNetworks' electricity distribution and transmission networks will allow TasNetworks to derive further cost efficiencies from a merger, streamline planning processes for its transmission and distribution business, as well as improve operational efficiency. The efficiencies achieved as a result of this rule change will ultimately reduce electricity costs to TasNetworks' consumers.

The ENA notes that in its Consultation Paper, the AEMC has identified two potential issues with a two year regulatory period proposed by TasNetworks. First, the AEMC is concerned that the alignment will result in a small overlap between the 2017 and 2019 distribution determinations. Second, the AEMC is concerned that a two year regulatory period has weaker incentive properties and might require changes to the operation of incentive schemes. On balance, the ENA considers that the benefits of the proposed rule change will outweigh these disadvantages due to the following reasons:

» While there is a small overlap between the 2017 and 2019 distribution determinations, there is still sufficient time for stakeholder consultation;

» The proposed rule change allows the alignment to occur as soon as possible, thereby bringing forward the benefits to TasNetworks' customers; and

» The issues related to the operation of incentive schemes can be considered as part of Framework and Approach Paper.

The ENA notes that the AEMC may hold a residual concern in relation to the resourcing capacity of the AER and other stakeholders because there are already a number of regulatory periods that commence on 1 July 2019. The ENA understands that TasNetworks has consulted with the AER, as well as relevant stakeholders, in relation to this matter and received no objections to the proposed rule change.

ENERGY NETWORKS ASSOCIATION WWW.ENA.ASN.AU
PHONE +61 2 6272 1555 EMAIL info@ena.asn.au ADDRESS Level 1, 110 Giles Street, Kingston ACT
ABN: 57106735406

The AEMC is required to consider whether the proposed rule change is likely to promote the *National Electricity Objective*. In view of the above, the ENA considers that the proposed alignment of the regulatory control periods is likely to promote the *National Electricity Objective* as the benefits of the rule change would outweigh the costs of its implementation.

The ENA response to questions raised in the AEMC's Consultation Paper is provided in Attachment 1.

If you have any questions, or the ENA can be of further assistance in developing the Commission's views on these important issues, please contact Garth Crawford, Executive Director, Economic Regulation on 02 6272 1555.

Yours sincerely,

John Bradley
Chief Executive Officer

Attachment A

Response to questions posed in the Consultation paper

Question 1	Are the disadvantages of a two year regulatory control period to achieve alignment material enough to outweigh the benefits from alignment?

The ENA agrees with the AEMC that a two year regulatory period will have some disadvantages, including a small overlap between the 2017 and 2019 distribution determinations, as well as implications for the operation of incentive schemes.

On balance, the ENA considers that the benefits of the proposed rule change will outweigh these disadvantages due to the following reasons:

- While there is a small overlap between the 2017 and 2019 distribution determinations, there is still sufficient time for stakeholder consultation;
- The proposed rule change allows the alignment to occur as soon as possible, thereby bringing forward the benefits to TasNetworks' customers; and
- The issues related to the operation of incentive schemes can be considered as part of Framework and Approach Paper.

Therefore, the ENA considers that the proposed alignment of the regulatory control periods is likely to promote the *National Electricity Objective*.

Question 2	To what extent are stakeholder resourcing issues a problem with the proposed rule?

The ENA can not comment on behalf of other stakeholders. However, the ENA understands that TasNetworks has consulted with the AER, as well as relevant stakeholders, in relation to this matter and there were no objections to the proposed rule change. In addition, alignment of the transmission and distribution reviews would provide for effective and efficient external stakeholder input into proposed network developments and terms and conditions of access, by providing a single review to consider 'whole of network' development and pricing issues.

Question 3	Please provide any comments you have on the alternative drafting of the proposed rule?

The ENA considers that the AEMC's alternative indicative rule would achieve the desired outcome.

Question 4	Do either of the two alternative solutions better meet the NEO than the solution proposed by TasNetworks, and why?

The ENA considers that it unlikely that either of the alternative solutions would better meet the *National Electricity Objective*. This is because both of the alternative solutions would delay the alignment of the regulatory control periods, thereby deferring the realisation of efficiencies and benefits to TasNetworks' consumers.