

Our Ref: Trackit 21617
Your Ref:
Contact Officer: Paul Dunn
Contact Phone: 03 9290 1426

17 May 2013

Charles Hoang
Project Manager
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Hoang,

Recovery of Network Support Costs Rule Change Proposal

The AER has examined the SPAusNet proposal for a rule change to align the distribution provisions with the transmission provisions for the recovery of network support payments. The AER agrees in-principle with the objective of minimising barriers to the use of network support to minimise inefficient network investment.

As discussed in the issues paper, the AER has previously noted that this objective may be addressed through other mechanisms, notably the regulatory determination process and through approaches such as nominated pass through events. The introduction of a Regulatory Investment Test for Distribution will add further impetus for distribution network service providers to consider the use of alternatives to network augmentation, such as network support, before determining their preferred option to addressing a particular network need. Similarly, the introduction of a capital expenditure incentive scheme currently being developed by the AER under the NER, is likely to provide an impetus for the use of network support.

However, if as a result of this consultation the AEMC is persuaded that these other mechanisms may not be effective in achieving efficient use of network support, then the AEMC may consider that the proposed Rule should be made, either as proposed or in a modified form. In this regard, the AER notes that recent reviews conducted by the AEMC have supported an expanded role for embedded generation within electricity networks. Consistent with those reviews, the AEMC may consider it timely to again consider the best mechanism to address this issue.

The AER considers that achieving consistency between the transmission framework and the distribution framework for network support has merit. Overall, the AER has no strong view as to the precise mechanism that should be used. More important is that the objective should be achieved in a way that best promotes the NEO and at least cost to customers.

Should you have any queries about this submission, inquiries may be directed to the undersigned or to Mr Paul Dunn, Director – Network Operations and Development, phone: (03) 9290 1426 or by email: [paul.dunn@aer.gov.au](mailto:paul.dunn@ aer.gov.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chris Pattas', with a long horizontal flourish extending to the right.

Chris Pattas
General Manager
Network Operations & Development