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Mr Chris Pattas  
General Manager  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Sent by email: [aerinquiry@aer.gov.au](mailto:aerinquiry@aer.gov.au)

Dear Mr Pattas

Ausgrid appreciates the opportunity to make a submission to the Australian Energy Regulator (AER) regarding the Consultation Paper on *Issues and AER's preliminary positions - Connection charge guidelines: for accessing the electricity distribution network*.

As the AER is aware, NSW has a fully contestable market for building connection assets and customers choose an accredited service provider to undertake connection works. We are concerned that the AER's current approach does not explicitly consider the contestable arrangements in NSW and is too rigid to allow it to be accommodated. We are concerned that the AER has taken a narrow and inflexible approach to interpreting the requirements under chapter 5A. This has resulted in the AER's approach being, for the most part, not applicable to the circumstances in the NSW jurisdiction.

The AER has focused its consultation paper on seeking views about a proposed cost-revenue-test to be applied in circumstances where connection costs are greater than the long term revenues guaranteed by that connection.

However, the cost-revenue-test, as acknowledged by the AER at the public forum, is not applicable to circumstances under a fully contestable market. How then will it apply to NSW?

The AER's consultation paper erroneously presumes that DNSPs have control over the building of connection assets. This misinterpretation of the circumstances in NSW leads to a confusing policy and one that does not meet its policy objective of being efficient.

In summary, our concerns are that the AER's consultation paper:

- Does not adequately address the application of the connection charging principles to the circumstances that exist in NSW. The guideline needs to explicitly consider the circumstances under full contestability. This information will help to provide certainty for customers, accredited service providers and distribution network businesses in NSW.
- The approach taken by the AER in addressing the issues in Chapter 5A is too narrow and prescriptive and this is not appropriate at this early stage of implementing the National Energy Customer Framework given the different contestability arrangements in the different jurisdictions.
- The AER has not satisfactorily considered the interaction between the pricing principles in Chapter 6 and the application of the augmentation threshold.
- The AER design criteria neglects to include efficiency (allocative and dynamic) as a criterion. Given that the National Energy Objective and National Electricity Objective are focused on achieving economic efficiency this seems to be an oversight.

Unless there are significant changes to the direction taken by the AER, the customer connections approach will have no relevance to the NSW jurisdiction. We ask the AER to reconsider its approach to the connection charge guidelines to one that is less prescriptive and one that is more principles based and facilitates its application to a contestable connection market.

Our submission outlines our concerns and addresses questions raised by the AER in its consultation paper.

We would be pleased to meet with the AER to discuss our submission in more detail as we think the current approach to be largely unworkable. If you have any questions or require further clarification please contact me or Mr Keith Yates on (02) 4951 9359.

Yours sincerely



Peter Birk  
A/ Executive General Manager -  
System Planning & Regulation

Attachment: Ausgrid Submission to AER Connection charge guidelines consultation paper