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Mr Sebastian Roberts  
General Manager  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001  
[aerinquiry@aer.gov.au](mailto:aerinquiry@aer.gov.au)

**Geoff Lilliss**  
**General Manager**  
**Network**  
145 Newcastle Road  
Wallsend NSW 2287  
Telephone (02) 4951 9411  
+61 2 4951 9411  
Facsimile (02) 4951 9210  
[www.energy.com.au](http://www.energy.com.au)  
  
Address all mail to  
PO Box 487  
Newcastle NSW 2287  
Australia

Dear Mr Roberts

### **Gas and Electricity Distribution Regulatory Guidelines – Scoping Paper**

EnergyAustralia welcomes the opportunity to comment of the AER's Scoping Paper on Gas and Electricity Distribution Regulatory Guidelines. As EnergyAustralia will be the subject of the AER's first electricity transmission and distribution price determinations, EnergyAustralia applauds the AER's advance thinking in this area.

EnergyAustralia's perspective on this matter is unique among Australian energy infrastructure owners. EnergyAustralia operates an integrated electricity transmission and distribution network, with the transmission assets acting as the "backbone" to the distribution network. The transmission elements of the network are classified as transmission by the definition in the National Electricity Rules; their primary role is to supply electricity to customers.

EnergyAustralia has consistently promoted an approach to its economic regulation which would integrate the revenue requirement determination of its entire network as it is a single, integrated business. Once the overall revenue requirement was determined, it could readily be allocated between the transmission and distribution components for pricing purposes.

EnergyAustralia considers that such a process would ensure that the revenue requirement determination of the transmission and distribution assets was undertaken consistently, and would also provide greater confidence to the regulator in assessing the allocation of costs between the transmission and distribution businesses and a single regulatory control formula applied to the whole business.

This has not been possible in the past, as the transmission and distribution networks were regulated by separate regulators with distinctly different approaches - the ACCC and IPART, respectively. With a single national regulator assuming responsibility for the economic regulation of both electricity transmission and distribution networks, EnergyAustralia now sees greater scope for this integrated approach.



Partner

A key component of the regulatory framework required to enable an holistic regulatory review of EnergyAustralia's network is consistent regulatory guidelines to apply to the transmission and distribution components of the business.

EnergyAustralia believes that there would be long term benefits in the consistent application of the regulatory regime should all the guidelines for electricity and gas transmission and distribution be constructed together. However, it appears that there remains sufficient uncertainty in the development of the National Gas Law as to make this goal unachievable in the available time.


To this end, EnergyAustralia is pleased to see the AER undertaking the necessary preparatory work to develop the guidelines to apply to electricity distribution and transmission businesses in concert, to ensure that a consistent application of economic regulation is applied to determining the revenue requirement for both the transmission and distribution components of EnergyAustralia's network.

EnergyAustralia acknowledges that this preparatory work will need to be undertaken with considerable care. The AEMC is currently undertaking a review of Chapter 6 of the National Electricity Rules pertaining to transmission revenue regulation. While the AEMC Rule change process relating to transmission revenue determination is well under way, the AEMC has not yet received a reference to conduct a similar review of the Rules pertaining to distribution revenue regulation. EnergyAustralia is concerned that the AER's preparatory work towards guideline development could be seen as an attempt by the AER to influence the development of the Rules applicable to distribution regulation. This would be contrary to the agreed governance arrangements.

EnergyAustralia therefore recommends a delay in the order of 6 months before the AER commence preparatory work on any guidelines, to allow time for greater certainty in the policy environment to develop.

Subject to the caveat that the policy framework is not yet in place for distribution regulation, EnergyAustralia is prepared to assist the AER in its preliminary thinking on the associated guidelines. Should you wish to discuss the matters raised in this letter, please contact our Mr Harry Colebourn on 02 9269 4171 in the first instance.

Yours sincerely



Geoff Lilliss

General Manager Network