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30 April 2012

Mr Warwick Anderson
General Manager – Network Regulation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Mr Anderson

Ausgrid's Submission on Control Mechanism to Apply to in 2014-19 Regulatory Period

Ausgrid welcomes the opportunity to comment on the Australian Energy Regulator's discussion paper on the control mechanism to apply to standard control electricity distribution services for the NSW and ACT electricity DNSPs in the next regulatory period. This is a critically important issue for Ausgrid and the other DNSPs given the important role that the control mechanism plays in delivering more efficient prices for network services.

There are compelling economic reasons for the NSW DNSPs to remain under a Weighted Average Price Cap (WAPC) for standard control electricity distribution services in the next regulatory period. The WAPC is the only form of control mechanism that provides appropriate incentives for DNSPs to improve the cost reflectivity of their network tariffs. Since the WAPC was introduced on 1 July 2004, Ausgrid and the other NSW DNSPs have responded to these incentives by reforming their network tariff structures, introducing new tariffs and investigating innovative longer term pricing solutions, such as dynamic peak pricing and rebates. It is clear that these efforts have enhanced economic welfare by ensuring that our customers are better placed to make economically rational choices in regard to their network usage.

Should you have any questions or wish to discuss any aspect of our submission in more detail, please contact Keith Yates on (02)4951 9359.

Regards,

A handwritten signature in blue ink, appearing to read "PB", is written above the printed name of Peter Birk.

Peter Birk
Executive General Manager – System Planning & Regulation