

11 May 2017

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Mr Sebastian Roberts
General Manager
Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

By email: TransGrid2018@aer.gov.au

Dear Mr Roberts,

TransGrid Regulatory Determination 2018-2023

I am writing to you in relation to the current inquiry by the Australian Energy Regulatory into the maximum allowable revenue for TransGrid in respect of electricity transmission charges for the period from 1 July 2018 to 30 June 2023.

The City welcomes the opportunity for public consultation on the draft regulatory proposal and identifies a number of issues on which it wishes to comment.

As an overall observation, the City is pleased that TransGrid's vision for the future of the NSW transmission network is based on widespread deployment of renewables and low carbon generation.

The City acknowledges the critical role that TransGrid plays in delivering bulk electricity across NSW and in particular delivering bulk electricity to the Central Sydney region. The City plays an important role in the economy of the state and the nation. This depends in part on safe secure and reliable supply of electricity. Accordingly, it is essential – for Sydneysiders and for Australians generally – that TransGrid be appropriately resourced.

In relation to TransGrid's proposed capital expenditure, the City notes:

- The scale and shape of future energy markets are very uncertain.
- Demand management deserves a bigger role in future management of critical network assets, and should be appropriately rewarded.
- This includes assets in central Sydney that are part of the "Powering Sydney's Future" project. It is critical that Sydney CBD and inner suburbs continue to have a high level of electricity security given that this area accounts for 7% of the total Australian economic activity.
- TransGrid should be encouraged to extend the life of existing assets where feasible and economic.

In relation to TransGrid's proposed operational expenditure, the City notes

- More effort should go into extending the effective life of existing assets and into non-network solutions.

- TransGrid should be properly compensated for extending the life of existing assets - the traditional approach of simple pass-through of costs may not be enough.
- On the other hand, a smaller asset base over time will result in cost savings - these savings should be passed on to electricity customers.

Some matters could do with extra consideration as part of the regulatory determination and in follow-on tariff-setting processes.

In particular, the City is concerned that the growing role of local electricity generation may not be properly recognised in forward electricity forecasts.

Also, the City is concerned that customers of small local electricity generators end up paying transmission charges even if the supply of such electricity involves no use of transmission networks. The City considers that it would be both economically efficient and equitable for TransGrid and Ausgrid to reduce the network charges imposed on the supply of local generation.

Finally, the City expresses its appreciation of the role of public consultation in the regulatory determination. Should officers of the AER wish to discuss this submission further with the City, please contact Chris Barrett by phone on 02 9265 9004 or by email at cbarrett@cityofsydney.nsw.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Barona', with a long, sweeping horizontal line extending to the right.

Monica Barona
Chief Executive Officer