

14 June 2002

Mr Michael Rawstron
General Manager
Regulatory Affairs - Electricity
Australian Competition and Consumer Commission

Dear Mr Rawstron

Review of the Regulatory Test for New Interconnectors and Network Augmentations

I am writing in response to matters raised in the Commission's Issues Paper, *Review of the Regulatory Test*.

The singular intention behind electricity industry reform was to increase economic efficiency through a national market. Consistent with this objective, the framers of Governments' market policy recognised that it is essential transmission network developments are available as a genuine investment alternative to new generation.

Enertrade therefore considers it anomalous that the present Regulatory Test does not allow recognition of the net benefits a new investment might produce through its effect on competition in the NEM. I am aware of the Commission's original concern that such an approach might transfer wealth between producers and consumers rather than improve efficiency. However, where a network development would lead to lower wholesale prices across the NEM through increased dispatch of relatively efficient plant, for example, it ought to be counted in the regulatory assessment as a benefit. One of the key tests should be modelling of a development's effect on regional prices and inter-regional price differences to determine whether it would deliver more efficient dispatch.

The Issues Paper asks whether the test should ensure alignment of the beneficiaries of an investment with the allocation of its costs. In accordance with the Commission's network pricing determination, NECA is investigating several models for implementing beneficiaries pay. When a beneficiaries pay model is implemented, the Regulatory Test ought to require TNSPs to identify and consult with the probable beneficiaries about a development's expected effects on their businesses. It is essential that Participants be able to assess and respond to proposals that will affect their business costs. Commercially sensitive information will emerge from those discussions and

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Enertrade recommends that aggregated numbers be reported to protect business' positions.

I can be contacted on (07) 3228 7048 should you wish to discuss any points I have raised.

Yours sincerely

Don Woodrow
Manager, Regulation