

17 October 2005

Mr Sebastian Roberts
General Manager
Transition Group
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001



Dear Mr Roberts

Regulatory Accounting Methodologies

Ergon Energy Pty Ltd (EEPL) appreciates the opportunity to provide comment to the Australian Energy Regulator (AER) on the *Regulatory Accounting Methodologies – Position Paper*. Ergon Energy is an electricity retailer and active participant across the National Electricity Market (NEM).

The development and implementation of a consistent regulatory accounting methodology for Transmission Network Service Providers (TNSPs) which ensures the reliable and secure delivery of lower-cost energy to end-users is supported by EEPL. Timely and efficient investment in transmission is an issue of particular importance to EEPL given the dispersed nature of our franchise customer base, the unique geographic characteristics of the Queensland network and that Ergon Energy is a retailer in all contestable markets across the NEM.

EEPL is generally supportive of the AER's preliminary position of prescribing an 'as-incurred' approach, namely due to its compatibility with the *Statement of Principles for the Regulation of Electricity Transmission Revenues (SRP)*. However, further consideration must be given to ensuring appropriate investment signals are provided throughout the regulatory period. Given the opportunity for a TNSP to financially gain under an 'as-incurred' approach, it is essential TNSPs are not encouraged to shift the timing of capital expenditure towards capturing additional financial returns in preference to maximising the performance and reliability of the network.

Although, it is anticipated there will not be any significant price shocks associated with implementing either approach - any associated financial impacts must be smoothed over the regulatory period to minimise the impact on end-users.

Ergon Energy would welcome the opportunity to discuss this submission in greater detail. If you have any queries, please feel free to contact me on (07) 3228 7536.

Yours sincerely

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Manager, Regulation Policy

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