

16 October 2012

Mr Tom Leuner
General Manager
Wholesale Markets
Australian Energy Regulatory
GPO Box 250
MELBOURNE VIC 3001

Via email: tom.leuner@aer.gov.au

Dear Tom

Cost Threshold Review for the Regulatory Investment Test for Transmission

Grid Australia makes this submission in response to the Australian Energy Regulator's (AER) Draft Determination on the Cost Thresholds Review for the Regulatory Investment Test for Transmission (RIT-T), released in September 2012.

Grid Australia understands that the purpose of the review is to determine the threshold values applicable to the RIT-T for the next three years.

Method

The AER has used a broad range of indices, 21 in all, covering both the electricity supply sector and the broader economy, over the period June 2009 to June 2012. The AER averaged these indices and used the result, 10%, as the percentage increment for the RIT-T cost thresholds, rounded down to the nearest \$ million.

Grid Australia agrees with the AER that it is appropriate to give greater weight to broader, economy wide indices. Grid Australia also supports the AER's proposal not to undertake a full scale review of precise changes in project costs to avoid unnecessary regulatory burden.

Determination

The Draft Determination is that:

The \$5 million threshold referred to in clauses 5.6.5C(a)(2), (4) and (5), in relation to replacement transmission network assets and in relation to transmission investment as referred to in the definition of new network investment, in practice, not be changed; and

The \$35 million threshold in clause 5.6.6(y) be changed to \$38 million,

Grid Australia agrees with the AER's revised cost thresholds.

If you have any queries regarding this submission please in the first instance contact Jennifer Harris on (07) 3860 2667.

Yours sincerely



Rainer Korte
Chairman
Grid Australia Regulatory Managers Group