



Victorian Energy Networks Corporation

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Mr Chris Pattas
General Manager
Network Regulation South
Australian Energy Regulator
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Dear Chris

Proposed Negotiated Transmission Service Criteria for SP AusNet and VENCORP

VENCORP welcomes the opportunity to comment on the Proposed Negotiated Transmission Service Criteria (NTSC) for SP AusNet and VENCORP which have been issued by the AER for consultation. Our comments are set out below.

Background - Victorian Electricity Transmission Arrangements

VENCORP is a statutory body that is constituted as a not-for-profit organisation and is funded by the industry on a cost-recovery basis. VENCORP's role is that of an independent transmission network planner and investment decision-maker in respect of the Victorian transmission network, but it does not own any transmission network assets. The network is principally owned by SP AusNet.

As a result of these arrangements, chapter 6A of the National Electricity Rules (NER) applies to VENCORP as modified by the derogations in clauses 9.8.4A to 9.8.4F of the NER. Those derogations relate principally to the regulation of VENCORP's maximum allowed revenue (that is, prescribed rather than negotiated transmission services).

That said, a determination of the AER in relation to any TNSP (including the determination of its NTSC) must take account of the regulatory framework in which that TNSP operates, where relevant to the matter being determined. In the case of VENCORP and SP AusNet, the Victorian transmission arrangements are part of that framework.

Comments on proposed NTSC

Clause 6A.9.4(b) of the NER specifies that the NTSC must give effect to and be consistent with the Negotiated Transmission Service Principles (Principles), set out in clause 6A.9.1 of the NER.

With the exception of an additional requirement to comply with the market objective, the AER's proposed NTSC effectively restate the Principles, although they have been slightly reworded and reordered under different headings.

The NTSC are to be determined by the AER for each TNSP, as part of its transmission determination, and must be complied with by the TNSP (together with its approved negotiating framework) when negotiating terms and conditions of access for negotiated transmission services. Consequently, the purposes of the NTSC appear to be:

- to ensure that each TNSP is required to negotiate for the provision of relevant services in accordance with the Principles; and
- to enable the AER to specify further requirements or provide specific direction as to how each TNSP should implement the Principles (in the context of its individual transmission determination and cost allocation methodology).

In relation to the first point, VENCORP suggests that the NTSC should adopt the Principles by reference, rather than restatement. In particular, the Principles should not be restated in a different form. Any difference between the Principles and the NTSC could give rise to future argument as to whether the NTSC is technically inconsistent with the Principles, or whether the relevant criterion should be given a different interpretation from the corresponding Principle.

In relation to the second point, and having regard to VENCORP's role and applicable regulatory requirements, VENCORP is of the view that it is not necessary for the NTSC to specify additional requirements or directions to address VENCORP's implementation of the Principles. VENCORP agrees that the Principles, adopted into the NTSC as suggested above, provide a sufficiently detailed framework for the establishment of terms and conditions (including price) of access to negotiated transmission services.

Finally, we note that the cross-references in item 6 of the proposed NTSC should be to criteria 7 and 8.

If you have any queries on any of the above please do not hesitate to contact Louis Tirpcou on ☎ (03) 8664 6615.

Yours sincerely



Matt Zema
Chief Executive Officer