18 May 2007

energex

Dr John Tamblyn
Chair
Australian Energy Market Commission
PO Box H166
Australia Square NSW 1215

Dear Sir

**Rule Change Proposal: Incidental Transmission Services undertaken
by DNSPs**

ENERGEX welcomes the opportunity to comment on EnergyAustralia's (EA)
submission on "Proposed Rule Change – Incidental Transmission Services
undertaken by DNSPs".

The overall economic aim of regulation is to achieve efficient market
outcomes similar to outcomes in a competitive market. Effective economic
regulation needs an efficient and simplified streamlined regulatory process.
Classifying assets within a single entity and geographic area into distribution
and transmission networks based on technical characteristics appears to
negate this intention. A simplified process that offers a defined regulatory
framework for an entire network is desirable as it will reduce the regulatory
compliance for the regulated business and other participants involved in the
regulatory environment.

EA has further proposed that the current pricing approach to affected
customers be maintained. This proposal ensures that there will not be
material impact on prices to the customers.

The benefits of applying a single regulatory determination process to the
entire network outweigh any costs to market and/or customers. These
findings are also confirmed by an independent review conducted by PB
Associates.

ENERGEX supports EA's proposed rule-change application for a single
determination process to be used for its entire network. The proposal is
consistent with the National Electricity Market objectives and will contribute to
more efficient regulation with resultant market outcomes.

Yours sincerely

Kevin Kehl
Director Revenue Strategy

Reference RS07-062

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