

The Chairman
Australian Energy Market Commission
PO Box H166
AUSTRALIA SQUARE NSW 1215

28 September 2006

Dear Dr Tamblyn

Draft Determination and Draft Rule for Review of Electricity Transmission Revenue Rules – Consideration of EnergyAustralia's Supplementary Submission

I refer to the Draft Determination and Draft Rule for the Review of Electricity Transmission Revenue Rules conducted by Australian Energy Market Commission (AEMC). Integral Energy is generally supportive of the Draft Rules, and recently lodged a submission outlining its views as part of the AEMC's formal consultation process for the Review.

As part of the Draft Rule consultation process, EnergyAustralia (EA) lodged a Supplementary Submission recommending changes to the wording of clause 6A.1.5 of the Draft Rules to address issues relating to the regulatory definition, and subsequent pricing, applicable to its transmission network.

EnergyAustralia Supplementary Submission

In principle, Integral Energy supports the concept of a "one regulator, one regulatory process" for a distribution network that also owns some transmission assets, as put forward by EA in its Supplementary Submission. We believe that a streamlined regulatory process is consistent with achieving the National Electricity Market Objective.

However, EA puts forward some specific wording changes to clause 6A.1.5 of the Draft Rules relating to transmission services that are "incidental" to the provision of distribution services. In addition, EA puts forward some suggested wording changes that, notwithstanding the "incidental" nature of the transmission services, nonetheless seek to ensure that the assets are priced as transmission services rather than distribution services.

Integral Energy believes that the wording changes proposed by EA are not immaterial and may have implications for other distribution businesses that may also own transmission assets. As the implications require further examination, we therefore request the AEMC to seek wider consultation on the EA proposed changes through a separate Rule change process before making a decision on the matters raised.

Yours faithfully



Richard Powis
Chief Executive Officer