

8 March 2013

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

**National Electricity Amendment (Network Service Provider Expenditure Objectives)
Rule 2013 – Response to Consultation Paper**

ActewAGL Distribution (ActewAGL) welcomes the opportunity to respond to the Australian Energy Market Commission's (the Commission's) consultation paper on the rule change request in relation to expenditure objectives in Chapter 6 and 6A of the National Electricity Rules (NER).

The rule change request seeks to clarify the expenditure objectives in the NER such that Network Service Providers (NSPs) would include sufficient expenditure for reliability in their regulatory proposals to comply with jurisdictional standards, and not to maintain the level of service performance in the previous regulatory period.

An important consideration that has not been included in the assessment framework in the consultation paper is the impact of the rule change request on outcomes under the Service Target Performance Incentive Scheme (STPIS).

ActewAGL is concerned that performance targets under the STPIS may not adjust symmetrically to reflect changes in service levels used for expenditures forecasts under the rule change request. Significant and unanticipated outcomes for NSPs could result from this lack of symmetry.

We would be pleased to explain this concern to your staff in more detail. Please contact in the first instance Dr Ben McNair, Principal Economist, on (02) 6248 3386.

Yours sincerely



David Graham
Director Regulatory Affairs and Pricing