

28 January 2005

Mr John Ryan
Deputy Secretary
Department of Industry, Tourism and Resources
GPO Box 9839
CANBERRA ACT 2601

Dear Mr Ryan

**EnergyAustralia submission to the MCE on the
National Electricity Rules Exposure Draft**

I am pleased to present EnergyAustralia's submission on the National Electricity Rules (NER) Exposure Draft to the Ministerial Council on Energy Standing Committee of Officials. EnergyAustralia has devoted considerable resources to review the NER in order to assist the MCE in developing an effective regulatory regime for the national electricity market.

EnergyAustralia's comments cannot, however, be considered exhaustive due to the abridged consultation period available to review the proposed NER, particularly in light of the concurrent review of the National Electricity Law (NEL). EnergyAustralia will continue to review the inter-relationship between the NER and NEL, as well as seek to identify any anomalies in the NER that could appropriately be rectified in the Code-to-Rules transition. We will continue to provide this information to the MCE as and when it becomes available.

It is understood that the MCE's stated intention in converting the Code to Rules was not to alter the rights and obligations of participants. However, EnergyAustralia is concerned that in a number of key areas the proposed changes will have detrimental impacts on participant's rights and obligations. In summary, these include the proposed extension of NEMMCO's planning role, involuntary disconnection of networks and removal of reviewable decisions.

EnergyAustralia also queries the allocation in the draft Rules of a number of NECA's roles between the AER and the AEMC and the rationale behind these allocations. In addition, EnergyAustralia has concerns about proposed changes to the arrangement for the treatment of recommendations by the Reliability Panel on VoLL, the market floor price and the reliability safety net. In summary, to ensure that recommendations from the Reliability Panel are actioned, EnergyAustralia believes that the AEMC should be required to treat a recommendation from the Reliability Panel as a request for a Rule change or, alternatively, that the Reliability Panel be obliged to seek a Rule change if it recommends a change.

Finally, there appear to be a number of areas of inconsistency in the objectives and pricing principles in the draft National Electricity Law and the draft Rules which need to be addressed in order to provide consistent policy direction for the AER. EnergyAustralia maintains that to avoid inconsistency in energy and regulatory policy, that the AER and AEMC should operate under the same market objective, which should be based on achieving economically efficient outcomes in electricity services in the long run.

EnergyAustralia looks forward to its continued involvement in the energy reform program and trusts this submission will provide assistance to the MCE in its consultations. Further enquiries can be directed to Ms Nives Matosin on (02) 9269 4257 or email nmatosin@energy.com.au.

Yours sincerely

(GEORGE MALTABAROW)
A/Managing Director