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1st February 2005

Manager – Energy Market Reform Team
National Energy Market Branch
Department of Industry, Tourism and Resources
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Dear Ms Wiltshire

I am pleased to make the NGF's submission in response to the Ministerial Council on Energy Standing Committee of Official's Consultation Paper and draft National Electricity Rules released on 10th December 2004.

The Consultation Paper states it is "important to note that the changes proposed in the new Rules are not aimed at changing the regulatory obligations that are currently placed on participants in the National Electricity Market. ... Accordingly, the substantive rights and obligations on participants in the market under the current NEL and current Code will remain the same in the new NEL and Rules".

The NGF considers that, for the most part, the draft Rules:

- convert the Code into Rules while excluding the operation of the provisions of Part IV of the TPA for which authorisation may be granted;
- incorporate the amendments necessary to accommodate the institutional changes; and
- clarify drafting or correct obvious drafting errors.

Nonetheless, the NGF considers there are a number of proposed amendments that are outside the intended scope of this process and introduce errors in a small number of cases. Consistent with the stated aim of the Consultation Paper, the NGF believes that amendments affecting the operation of the market should not be made through this process. Rather, it would be appropriate for such amendments to be omitted from the draft Rules and submitted to the AEMC for consideration through the formal Rule change process. This would place all Rule change proposals on an equal footing in a process designed, unlike this current conversion process, to address matters of substance.

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A more specific point to note here is that many amendments appear to presume certain outcomes of the ongoing MCE policy reviews of network planning and access, including the drawing of new distinctions between transmission and distribution. The NGF considers that these amendments will need review through the formal Rule change process once the MCE takes its key policy decisions. This will ensure consistency between the policy and Rules.

The NGF has documented the provisions of particular concern in the following attachment including a discussion of the reasons for the concern and a recommended action for the Standing Committee of Officials.

Yours faithfully

Signed: G V Every-Burns

G V EVERY-BURNS
DEPUTY CHAIR
1/2/2005