

23 November 2012

Mr Philip Weickhardt
Chair – Electricity Network Regulation Inquiry
Productivity Commission
Level 2, 15 Moore Street
Canberra ACT 2600

via email: electricity@pc.gov.au

Dear Philip

Productivity Commission Draft Report *Electricity Network Regulatory Frameworks*

Thank you for the opportunity to make a submission in response to the Productivity Commission's *Electricity Network Regulatory Frameworks* Draft Report released on 18 October 2012.

The ENA welcomes the Commission's inquiry and appreciates the open consultative approach that has been adopted by the review team in the preparation of the Draft Report. The sector's full response to the Commission's Draft Report is attached in two parts:

- Part A Responses to the Draft Recommendations; and
- Part B Responses to the Information Requests

The energy network sector broadly supports the directions of the draft recommendations put forward by the Commission, subject to the comments and suggestions noted in the enclosed attachments.

The network sector, however, does not support specific proposals made in Draft Recommendation 21.4. The proposals in this recommendation essentially provide scope to bypass the rule change process in making changes to the National Electricity or Gas Rules under certain conditions.

This recommendation is of significant concern to the network sector, as it is inconsistent with promoting the stable and predictable development of the energy rules framework over time. In particular, the ENA considers that these proposals have the potential to undermine the well-functioning separation of roles which is identified as good practice by the Commission itself. The sector strongly supports arrangements under which the Standing Council on Energy and Resources clearly exercises high level policy-making functions, the Australian Energy Market Commission is responsible for rule-making and market development, and the Australian Energy Regulator executes regulatory functions.

The ENA also does not support the recommendations covering additional license conditions as they are prescriptive, add an administrative burden, are costly and inflexible and reduce the opportunity for innovation by network businesses.

Please note that ENA has not addressed issues relating to interconnectors and other transmission specific matters as these will be addressed in a separate submission from Grid Australia on behalf of the National Electricity Market transmission businesses.

Yours sincerely

Malcolm Roberts
Chief Executive