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Mr Michael Rawstron
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Dear Michael,

NECA Code Changes for Market Network Service Providers

Thank you for the opportunity to comment on the Code changes submitted by NECA for the provision of market network services (entrepreneurial interconnectors).

NECA developed a set of safe harbour provisions for entrepreneurial interconnectors in a parallel process to the transmission and distribution pricing review. It is intended that a Market Network Service Provider (MNSP) may proceed with any proposal to connect and operate an interconnector provided that the safe harbour provisions are satisfied.

ElectraNet SA has some general concerns about the proposals for introducing market network services into the regulated network environment, including:

- MNSPs will offer a network capacity to the market at a price and will receive income from restricting this capacity in order to exploit price differences between regions. The question arises as to whether this arrangement will reduce the benefits that would otherwise be delivered to end use customers from allowing full competition across regulated interconnectors?
- Clause 2.5.2(a) makes provision for an MNSP to apply to the regulator to convert an interconnector from market to regulated status at any time. Conversion from regulated to market status is restricted to ensure that the NSP cannot opportunistically alternate between the two. However, the question arises as to whether the provision to convert from market to regulated status provides the opportunity to bypass the regulatory test?

- Clause 5.5A(f)(2) requires a TNSP to use reasonable endeavours to provide the access sought by a MNSP, having consideration for the potential augmentations required to be undertaken on the remainder of the network to ensure that the services to other Code Participants are unaffected. Clause 5.5A(g)(2) requires that the parties negotiate in good faith the use of system charges to be paid in relation to such augmentations. ElectraNet SA notes that such negotiations will require service standards for prescribed services to be well defined. ElectraNet SA believes that any premium that the TNSP receives for delivering a higher negotiated service standard should be in addition to the aggregate annual revenue requirement.

ElectraNet SA also provides the following specific comment.

Chapter 5 of the Code sets out the access arrangements for Market Network Service Providers (MNSPs). Conditions for connection of market network services are introduced as Schedule S5.3a. In relation to the provision of communications equipment, these conditions are similar to the conditions for connection of generators in Schedule 5.2.

ElectraNet SA strongly disagrees with the residual responsibility placed upon TNSPs in Sections S5.2.6.3 and S5.3a.4.3 to provide communications systems between a local site to the “control centre” (note that the Code no longer defines the term “control centre”).

ElectraNet SA considers the provision of such communications services (“COMMDC”) to be contestable and believes that the associated risks should be the responsibility of the market participant and not the TNSP.

This issue has also been raised in the context of responsibilities for the provision of market related information, as part of the NEM Governance Review.

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Yours sincerely

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