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Dear Michael

**POWERLINK'S RESPONSE TO THE PROPOSED CODE  
CHANGES RELATING TO MARKET NETWORK SERVICE  
PROVIDERS**

We understand the Commission has revised the deadlines for interested party submissions on the Code change proposals submitted to it by NECA as follows:

- (a) comments on Code changes relating to Chapter 5 and 6 by 30 September 1999; and
- (b) comments on Code changes relating to other chapters by 17 September 1999.

Please find attached our response to the proposed changes relating to chapters **other than** Chapters 5 and 6.

We will forward comments relating to Chapters 5 and 6 along with our response to the Pricing Review Code change proposals by 30 September 1999.

Please do not hesitate to contact me should you wish to discuss this matter further.

Yours sincerely

GORDON H JARDINE  
Chief Executive  
Powerlink Queensland

**Response to the ACCC on  
NECA's Proposed Code  
Changes Relating to "Market  
Network Service Providers"**

17 September 1999

## **Need for Code Change**

Powerlink acknowledges that the National Electricity Code (Code) in its present form pre-empts the advent of Market Network Service Providers (MNSPs). As part of its terms of reference for the Transmission and Distribution Pricing Review, NECA set out to determine a methodology for incorporating entrepreneurial interconnectors into the market.

In meeting its objectives, NECA developed safe harbour provisions whereby any proposal which meets those provisions will be entitled to connect and operate.

It needs to be pointed out here that there has never been any public consultation or any economic analysis on the benefits of MNSPs and whether they are likely to deliver the objectives the Code requires. Nevertheless, Powerlink holds the expectation that the Commission will seek views on issues relating to the public benefits of this proposed market change when giving consideration to authorising the proposed Code changes.

## **Market Compatibility**

We believe there are some significant issues relating to the appropriateness of merging market networks into the monopoly regulated environment, particularly:

- Benefits which otherwise might accrue to electricity customers being retained by the MSNP;
- Obligations to maintain the integrity of the network and continuity of supply to customers;
- Provisions for third party access.

Powerlink will comment on these above issues on a later submission relating to code change proposals relating to hybrid Interconnectors.

## **Comments on Code Changes**

This submission is confined to Code change proposals other than those relating to Chapters 5 and 6. Powerlink does not have any concerns with the context of these proposed changes.

We will comment on the Chapters 5 and 6 changes at a later date.

## **Conversion to Regulatory Status**

There are obvious gaps in the provision for conversion of an entrepreneurial interconnector to regulated status. The safe harbour provisions identify that, as a result of future market developments (e.g. change to regional boundaries), the MNSP's may no longer be able to operate as such. It has therefore been seen appropriate to factor in a provision for conversion from market to regulated status.

However, does the augmentation then have to pass the Regulatory Test? If this is intended, it should be made explicit. If not, does it create an opportunity for bypassing the Regulatory Test?

## **Additional Comments**

Powerlink proposes to make comment on the Chapter 5 and 6 issues relating to MNSPs at the time we respond to the Pricing Review code changes.