

25/10/2018

Senior Committee of Officials
C/o COAG Energy Council Secretariat
John Gorton Building
King Edward Terrace
Parkes ACT 2600

Lodged via email: energycouncil@environment.gov.au

Dear Officials,

Re: National Electricity Rules Consultation In Relation to Binding Rate of Return Instrument

On 28 September 2018, the COAG Energy Council released its proposed Rule changes to support the introduction of legislation to create a binding rate of return instrument. TransGrid welcomes the opportunity to comment on these proposed changes.

TransGrid is the operator and manager of the high voltage transmission network connecting electricity generators, distributors and major end users in New South Wales and the Australian Capital Territory. TransGrid's network is also interconnected to Queensland and Victoria, and is central to interstate energy trading, and the National Electricity Market (NEM).

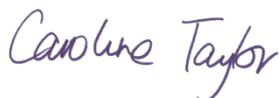
We understand that the intent of the proposed amendments to the Rules is to remove or amend the National Electricity Rules (NER) and National Gas Rules (NGR) that will be outdated after the passage of the legislation. While most of the amendments are reasonable, we are concerned about the effect of one of the proposed changes as it relates to estimated taxable income.

TransGrid does not support the proposed definition of estimated taxable income in the proposed amendments to the Rules. The proposed amendments are unnecessary and may result in unintended outcome of changing the current approach to estimating the regulatory taxation. It has the effect of redefining estimated taxable income as an estimate of the actual taxable income of the network service provider in question, rather than an estimate of the taxable income of a benchmark efficient entity (BEE). This change will effectively abolish the concept of BEE. This is a concern as this represents a departure from incentive-based regulation which would result in a disjointed regulatory framework from all other components which are based on a benchmark basis. Approaches that are based on "actual tax paid" are not in the long-term interests of consumers.

It would also be premature and inappropriate for the NER and NGR to be amended to alter the definition of taxable income before the AER has completed its regulatory tax review.

TransGrid supports the submission made by the Energy Networks Australia. Please contact Michelle Trinh on (02) 9284 3467 if you would like to discuss further.

Yours sincerely,



Caroline Taylor
Acting Executive Manager Regulation