

6th April 2008

Mr. Leigh Mayne
Network Regulation Manager
Aurora Energy Pty Ltd
177 Main Road
Moonah TAS 7009



BY EMAIL: leigh.mayne@auroraenergy.com.au

Dear Mr .Mayne

AURORA DRAFT NETWORK TARIFF STRATEGY (NTS)

Please find enclosed comments from the Energy Users Association of Australia (EUAA) on Aurora's draft Network Tariff Strategy (NTS) for the period 1 July 2008 to 30 June 2012. We thank you for providing the EUAA with the opportunity to comment on the draft NTS and for allowing us some additional time to lodge this submission so that we could include member feedback. We note that the proposed NTS continues with the introduction of substantial changes in network charging arrangements for Tasmanian energy users. Due to the relatively short consultation period we have not necessarily been able to develop a comprehensive and fully-informed assessment of these changes. However, some general themes do emerge from our submission.

- Allowing appropriate time for consultation is important. A longer consultation period in the present circumstance would have assisted the EUAA in developing a more detailed submission to Aurora's draft NTS.
- Do proposed tariff structures mirror the cost of providing services? The EUAA is interested in understanding whether the proposed tariffs accurately mirror the economic cost of providing relevant services, and a fuller explanation about the methodology behind the development of the new tariffs in the draft NTS would have been useful. Cost savings arising through the realignment of tariffs should be shared with users and we would appreciate further details from you on this.
- Changes need to be introduced progressively: Changes that are introduced too quickly do not allow them the opportunity to adjust their operations to better absorb the impact of the new tariffs. They can also provide mixed investment signals to our members, and hamper their ability to determine tariffs and investments that suit their business needs. Major changes in tariff structures that are introduced too quickly are not good for business. We note that major structural shifts in network tariffs in other jurisdictions have been introduced progressively. In this regard, we welcome the comments made by Mr John Devereux, General Manager – Networks, Aurora, at our *Tasmanian Energy Forum* in Hobart on Monday 31st March to the effect that Aurora would be receptive to a proposal to do so over a more extended period. We therefore formally request that this be done over remainder of the term of the next regulatory period. In doing so, we note that Aurora's network tariffs have already increased substantially from the beginning of 2008 and users have already had to absorb the impacts of these earlier this year. We believe that this should be taken into account in determining a longer transition period.

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Going forward, the EUAA would be happy to develop effective formal and informal consultative processes and mechanisms on various regulatory issues affecting the EUAA's members, particularly regulatory issues relating to network tariffs and the provision of network services. This could include a more informal and / or more regular exchange of information or updates on relevant network issues, and a closer association between the EUAA and Aurora. We see benefits for both parties from establishing closer links, particularly in relation to issues that are of critical relevance to large users. Firstly, future consultation processes about network tariffs could be improved. Secondly, closer links between our organizations may provide our members with the opportunity to contribute their concerns and ideas to Aurora on a continuous basis, and provide Aurora with scope to address those concerns and respond to those ideas as and when they arise, outside of the tariff-setting process. Thirdly, it could be used to assist the growing number of EUAA members in Tasmania to understand and adjust to future changes in tariffs or other network issues.

We currently have productive relationships with a number of network distribution businesses on the mainland, and a number of distribution businesses have joined as members of the EUAA, in recognition that developing closer ties with network is beneficial to the EUAA members and distribution businesses alike.

We look forward to consulting with you on tariff charging arrangements as the Tasmanian market undergoes significant transformation with the introduction of retail competition. If you have any further questions in relation to the enclosed submission, please do not hesitate to contact Mr Jeremy Romanes, Manager – Policy & Regulation at this office.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Roman Domanski', with a stylized flourish at the end.

Roman Domanski
Executive Director

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