

Our Ref: D11/2901



27 January 2011

Mr John Pierce
Chairman
Tasmanian Electricity Supply Industry Expert Panel
GPO Box 123
HOBART TAS 7001

Dear Mr Pierce

Electricity Supply Industry Expert Panel: Statement of Approach

Transend Networks Pty Ltd (Transend) welcomes the Expert Panel's Statement of Approach for the Electricity Supply Industry (ESI) review. Transend believes that the Panel has appropriately interpreted its terms of reference and drawn the boundaries for the review.

Transend is pleased that the Panel's approach recognises the requirement to balance the needs of investors and customers. To achieve sustainable energy services, shareholders should be able to derive an appropriate return on investment, while customers and regulators should see efficient and cost effective services that meet obligations, including safety and reliability obligations. There are many existing frameworks in place that help ensure such outcomes are achieved for transmission services.

Transend is pleased that the statement of approach for this review acknowledges the existing frameworks. Regulatory instruments that apply to Transend include the National Electricity Law and National Electricity Rules (NER). As the Panel is aware, arrangements are in place to ensure that the national framework evolves over time to meet the national electricity objective. To this end, the Australian Energy Market Commission is presently undertaking a number of NER reviews directly affecting transmission investors and customers, including reviews of scale efficient network extensions, inter-regional pricing and transmission frameworks. Further work on national reliability standards is also expected.

Within this regulatory framework, Chapter 6A of the NER establishes how transmission revenue determinations will be conducted by the Australian Energy Regulator and establishes cost and service incentive frameworks for Transend's regulated services.

In addition to the national requirements, Transend must adhere to a range of Tasmanian regulatory requirements, with Transend's responsibilities for electricity transmission established under the Electricity Supply Industry Act 1995 and the Tasmanian Electricity Code. Network performance requirements are stipulated under the Tasmanian Electricity Supply Industry (Network Performance Requirements) Regulations 2007. Transend's licence to operate the electricity transmission system in Tasmania reflects obligations on the organisation, including the requirements to prepare an Annual Planning Statement, incident reports, and compliance, vegetation management, and emergency management plans.

Transend is pleased that the statement of approach recognises the process for setting prices for non-contestable customers as independent and highly transparent: transmission revenues are one input to this process, and are also established through an independent and transparent process.

Transend welcomes the review and is pleased that it will focus on material issues, and take an evidence-based approach. Given the complex matters to be addressed, Transend supports extending the timeframe for the review.

Transend looks forward to working constructively with the Panel and providing assistance to support the Panel's analysis.

Yours sincerely

A handwritten signature in black ink, appearing to read "D W Challen". The signature is written in a cursive style with a large initial 'D'.

D W Challen
Chairman