



Government
of South Australia

Department for
Energy and Mining

Document Ref: D18096268

10 July 2018

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Global Settlement and Market Reconciliation

Dear Mr Pierce

The Energy and Technical Regulation Division of the Department for Energy and Mining, South Australia (Division) welcomes the opportunity to comment on the Consultation Paper (the Paper) for the 'National Electricity Amendment (Global settlement and market reconciliation) Rule 2018' published by the Australian Energy Market Commission (the Commission) on 7 June 2018.

Treatment of Virtual Transmission Nodes (VTNs) under global settlement

The Division notes the Consultation Paper is seeking comment on whether VTNs are still an appropriate mechanism for the NEM, and what classes of customers would be affected if VTNs were removed.

The *National Electricity (South Australia) Act 1996* S.18 places a requirement for the AER to ensure, in its pricing decisions, that network loss factors in South Australia are not related to the relative length of the distribution line supplying the customer. S.18 further requires the AER to use a single *virtual transmission node* for all small customers in South Australia in its pricing decisions. These requirements were put in place in line with South Australia's 'country equalisation scheme' to ensure any tariff component charged to a small country customer may exceed the price specified in the same tariff component charged to a small city customer by not more than 1.7%.

Given the above, VTNs must be retained under any proposed change to a global settlement approach, in order that all small SA customers can continue to be attributed

to a single virtual transmission node, as per the legislated requirements in South Australia.

Local Retailers

The Division notes the AEMO Rule Change Request proposes deletion of certain references to 'local retailers' in the National Electricity Rules. In making these changes it will be important that no unintended consequences flow for the customer protections under the National Energy Customer Framework, and in particular the obligations of local area retailers under the *National Energy Retail Law (South Australia) Act 2011* to provide connections to customers where there is no existing connection.

Should you wish to discuss the submission in further detail, please contact Mr Craig Walker, Senior Policy Officer, Energy and Technical Regulation Division on (08) 8226 5507.

Yours sincerely



Vince Duffy
Executive Director
Energy and Technical Regulation