



25 July 2019

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

Dear John

Re: CoGaTI implementation – access and charging (EPR0073)

CitiPower, Powercor and United Energy welcome the opportunity to respond to Australian Energy Market Commission's (AEMC) consultation paper on access and charging. These proposed reforms are intertwined and depending on their final form, may fundamentally change the way in which the entire market operates. While there are many uncertainties regarding these reforms, we have two concerns:

- consideration as to whether the reforms are intended to extend to the distribution network
- the ambitious timelines may not allow sufficient time for learnings from other changes currently underway and as a result could lead to unintended consequences and greater costs to consumers.

Application to distribution

The AEMC is currently considering access and charging reforms with respect to Transmission Network Service Providers (TNSPs). However, there has also been an uptake of large-scale embedded generation on distribution networks, which is giving rise to congestion issues in a manner similar to that of generation connecting at the transmission level.

We seek clarity whether the reforms at the transmission level are intended to be extended to the distribution network. If so, we note that the operation of the distribution system differs from the transmission system and therefore transposing the reforms would entail a separate consultation with relevant stakeholders. Given past practice, we have some concerns the AEMC will simply impose the transmission reforms onto distribution.

Timeline

We consider the proposed timeline for implementing the reforms to be very ambitious, which could result in inadequate consideration of alternative options to address network congestion. The timeframes should also allow for the implementation and gathering of learnings from the move to five-minute settlement.

Cost to consumers

It is imperative that the introduction of any reforms are delivered to benefit consumers. We are concerned that hasty reforms may have unintended consequences which may drive higher prices to consumers. For example, will consumer bills increase if gentailers pass the cost of transmission hedging products onto consumers? Detailed financial modelling and analysis should be performed across a wide range of scenarios to minimise this risk.

Should you have any queries about this letter please do not hesitate to contact Amber Wilkie on (03) 9683 4124 or awilkie@powercor.com.au.

Yours sincerely,

Brent Cleeve
Head of Regulation CitiPower, Powercor and United Energy