

Mark Allen
AEMC
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

5 November 2012

Dear Mark,

Re AEMC Reference ERC0106: Inter-regional Transmission Charging

The private generators listed in the side bar appreciate the opportunity to comment on the inter-regional charging modelling results.

The AEMC inter-regional transmission charging discussion paper of 25 August 2011 described three options to develop a uniform national inter-regional transmission charging regime and methodology. In their submission to the discussion paper, a number of private generators made the following points:

- We support the development of Inter-regional Transmission Charging (ITC) in the expectation that transmission investment will be constructed in coming years for the purpose of supporting persistent energy flows from a region or through a region,
- We do not support any ITC based on the cost of existing transmission assets,
- We propose that any ITC should be based on the true causation of cost in the transmission network, namely the decision to invest in new transmission assets, and should apply where the justification of new investment is based, in part or entirely, on the expectation of persistent energy flows from or through the constructing region,
- Any decision to make a network investment that will lead to ITCs should be either conducted or reviewed in detail by an independent authority such as the AER,
- Any ITC should be on-going and stable unless and until a network planning decision within the region re-allocates part or all of the relevant network capability to another purpose, i.e. under-utilisation, of itself, should not lead to re-allocation of costs,
- While we contend that ex ante assessment is the only efficient basis for allocation of costs to an ITC, we accept the necessity for ex post cost allocation within regions and do not propose any change to this process. We propose that an ITC, having been determined by the ex-ante process, would then be recovered by the paying TNSP as part of its non-locational charges,
- The short-run marginal costs of transmission are not directly met by TNSPs, are uncertain and often perverse in their impact on a TNSP, and we therefore contend that no attempt should be made to include them in an ITC.

Submissions on the discussion paper closed on the 23 September 2011, and the AEMC then announced on the 10 November 2011 that it was intending to undertake modelling of the three options described in the 25 August discussion

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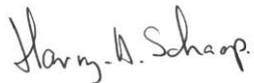
paper.

The Rolib report is very helpful in understanding the complexities of each of the three options contained in the AEMC discussion paper. The report makes it quite apparent that each of the options examined can yield quite different costs to market participants. It is not surprising that the modelling results would be so sensitive to the modelling approach and assumptions. These findings give further strength to our position that an ex-post analysis of power system flows is a poor surrogate to an ex-ante consideration of actual network investment costs.

We encourage the AEMC to give consideration to the points made in our September 2011 submission, and not restrict its thinking to the three options contained in the AEMC discussion paper.

Should you have any enquiries regarding this matter please do not hesitate to contact me on 03 9499 4249, 0412 623 043 or via email: Harry.Schaap@tpg.com.au.

Yours sincerely,

A handwritten signature in black ink that reads "Harry A. Schaap". The signature is written in a cursive, slightly slanted style.

Dr Harry Schaap
(on behalf of the listed generators)