

Loy Yang Marketing Management Company Pty. Ltd.

AGL Hydro Pty. Ltd.

International Power (Hazelwood, Synergen, Pelican Point, Loy Yang B and Valley Power)

TRUenergy Pty. Ltd.

Flinders Power

InterGen (Australia) Pty. Ltd.

Delta Electricity

3rd November 2006

Dr John Tamblyn
Chairman
Australian Energy Market Commission
Level 16
1 Margaret Street
Sydney NSW 200

Emailed: submissions@aemc.gov.au

Dear Sir,

Congestion Management Review

The above group of companies is writing to the Commission to seek an extension to the 6th November date which we understand to be the date by which submissions need to be made to allow consideration for the Congestion Management Regime draft reports, due for release late 2006. In our view more time is required to ensure the congestion management issues are adequately addressed for the reasons detailed below.

As a result of recent discussions with the AEMC (NGF, LATIN and Delta/Intergen presentations as well as the CEO forum), the views expressed by the Commission in the Stanwell Rule change and the Transmission Pricing Rule report, this group of generators is now of the view that additional investigation is required into particular aspects of the Congestion Management Review and the relationship to the Transmission Pricing Review, in particular in relation to the;

- materiality of the congestion issue, and
- dynamic efficiency drivers for transmission and generation investment and their relationship to congestion management.

Regarding the materiality of congestion, in our view it is not adequate to assess the materiality issue solely on historical measurement of congestion or the performance of TNSPs in building transmission driven primarily by increases in consumer demand. The reason being, that in the future, generation investment will also cause congestion. It was the expectation of this group of generators that the materiality of the congestion issue was implicitly accepted by the MCE in its terms of reference and thus this matter was not raised in our original submission. It is now clear however from the nature of AEMC market queries that the matter of materiality is not settled. An assessment of the impact of future generation investment on congestion is required. Therefore we need more time to make complete our research into this matter to address the issues raised by the AEMC's new queries.

The latter issue (dynamic efficiency) was not adequately addressed in the transmission pricing review because of the exclusion by the Commission of the consideration of property rights (in all forms). As a consequence this exclusion limited the ability of the Commission to assess whether or not the current arrangements that drive dynamic efficiency are optimum with respect to all proposed or potential solutions. In our view further work is required to properly quantify the costs and benefits of the available solutions to ensure an objective assessment is made.

It is not clear if this exclusion of property rights (by which we mean “defined non firm access” to the transmission system for generators) is to be carried forward into the congestion management review, without an assessment of its impact on dynamic efficiency.

We are planning to commission work by independent consultants (both qualitative and quantitative), in relation to the materiality of congestion and the impact of property rights in ensuring that all investment in the NEM is in the long term interest of consumers. Some of this work has commenced and will be made available to the Commission in the next few weeks. However we request an extension of at least 4 weeks to allow the Commission time to consider all the results of the work we are proposing to carry out.

If you have any questions in relation to this request, please call Roger Oakley on (03)9612 2211.

Yours faithfully,

.....
Ken Thompson
General Manager
Loy Yang Marketing Management
Company Pty. Ltd.

.....
Alex Cruickshank
Manager NEM Development
AGL Southern Hydro Pty. Ltd.

.....
Ben Skinner Regulatory Manager
Wholesale Markets, Truenergy Pty.
Ltd.

.....
Stephen Orr
Commercial Director
International Power

.....
Don Woodrow
Manager Public Policy and
Regulation
Intergen (Australia) Pty. Ltd.

.....
Reza Evans
Manager Regulation & Market
Development
Flinders Power

.....
Tim Baker
General Manager Marketing
Delta Electricity