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Australian Energy Market Commission
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REVIEW OF THE ELECTRICITY TRANSMISSION REVENUE AND PRICING RULES RESPONSE TO SCOPING PAPER

Thank you for the opportunity to comment on the scope of the AEMC *Review of the Electricity Transmission Revenue and Pricing Rules*.

As a general principle CS Energy is concerned that the number and frequency of reviews into transmission are producing an environment of regulatory uncertainty and escalating costs. When considering long-lived investments, such as significant generating plant, it is important that regulated transmission arrangements such as investment and pricing, can be predicted. Many of the matters being considered in the scope of the current review have been debated extensively through NECA and the ACCC consultations. The MCE has now made a policy statement on transmission and the AEMC review process should be aimed at implementing rule changes consistent with this policy for finalised arrangements. This should provide the long-term certainty required for market-based investment to proceed.

CS Energy's specific comments on the scope of the *Review of the Electricity Transmission Revenue and Pricing Rules* are:

- Matters which have been adequately dealt with previously or which are found to not require review should be explicitly recorded as such in the final report of this review.
- The need for certainty in the market should be paramount, even over the potential for increased economic efficiency of limited parts of the energy supply chain.
- The frequency of reviews into transmission pricing principles should be considered.
- The Regulatory Test should be examined in detail, with specific consideration of:
 - o Are all appropriate benefits considered?
 - o Are the time horizons set correctly?
 - o Should individual jurisdictions be allowed to apply reliability standards consistent with local policy objectives or should reliability standards be the same for the entire National Electricity Market?
- The examination of transmission pricing should consider:
 - o Uncertainty introduced by any change.
 - o Efficient recovery of transmissions costs that are sunk and predominantly fixed.

- The robustness of “beneficiary pays” schemes, and whether property rights should accompany payment.
- The review of regulated income should consider:
 - The place and valuation of network support payments to generators and demand side as an alternative to transmission augmentation.
 - The relationship between stranding risk and the rate of return on regulated assets.
 - Performance based income incentives/penalties for regulated assets.

CS Energy believes that the AEMC should only review aspects that require change to be consistent with the MCE policy statement on transmission with a view to creating certainty for market-based investment.

Nothing in this submission is considered confidential.

Yours faithfully

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