

20 June 2006

Dr John Tamblyn  
Chairman  
Australian Energy Market Commission  
Level 16, 1 Margaret Street  
Sydney NSW 2000

Email: [submissions@aemc.gov.au](mailto:submissions@aemc.gov.au)

Dear Dr Tamblyn,

**National Electricity Amendment (Extension of Inter-regional Settlements Agreement) Rule 2006**

We appreciate the opportunity to comment on the above Rule change proposal.

This proposal involves the extension of a provision of the National Electricity Rules (NER 3.6.5(a)(5)) which requires an importing region to pay a charge to the exporting region for the use of the inter-regional transmission network, as agreed by the relevant jurisdictions. The provision is currently scheduled to terminate on 1 July 2006. The proposed Rule would extend this sunset date by a further three years, to 1 July 2009.

This provision has continued as an interim measure since market start. However, it is understood that only South Australia and Victoria have entered into arrangements to make payments under this clause, in respect of net flows between the two regions. In recent years this has seen annual payments by SA customers of up to \$7m.

It would appear that the requirement has not been applied by Victoria to any other connecting region, nor has it been adopted with respect to any other interconnects in the NEM. This is despite the substantial inter-regional flows occurring elsewhere, and the advent of subsequent links since this measure was first introduced, such as QNI and Basslink.

The extension of this provision would therefore appear to perpetuate an anomaly in the market. The justification for the continuation of this arrangement across Vic-SA alone, and for the continued treatment of South Australian customers as a special case warranting interstate payments, therefore appears questionable. The limited consultation and transparency in the process by which payments are agreed is also noted.

Notwithstanding this, it is acknowledged that the extension of this provision is being sought at this time pending completion of the Review of the Electricity Transmission Revenue and Pricing Rules in the NEM by the AEMC, including consideration of inter-regional TUOS charging.

However, while the proposal suggests that the need for the provision may fall away once this review is complete, no reference is made to this in the corresponding Rule change itself.

If the present Rule change is accepted by the AEMC, it is therefore suggested at a minimum that the proposed Rule should be amended to require the arrangement to terminate once the current Review of Transmission Revenue and Pricing Rules being undertaken by the AEMC has concluded. This will ensure that seamless inter-regional charging arrangements are then established across the NEM based on the outcome of that review.

Once again, we appreciate the opportunity to comment on the proposed Rule change. The comments expressed in this submission represent the views of the undersigned companies, all of whom are market participants in the South Australian region.

Should you have any queries or comments, in the first instance please contact Simon Appleby of NRG Flinders on (08) 8372 8706.

Yours sincerely

Reza Evans  
Manager, Regulation & Market  
Development  
NRG Flinders

Alex Cruickshank  
Manager, NEM Development  
AGL Regulation & Policy

Con van Kemenade  
Regulatory Strategy Manager  
Energy Risk Management  
Origin Energy

David Hoch  
Market Specialist  
IPRA