



Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box H166
AUSTRALIA SQUARE NSW 1215

Address for
correspondence:
c/- A3P
LEVEL 3
TOURISM HOUSE
40 BLACKALL STREET
BARTON ACT 2600
AUSTRALIA

Dear Dr Tamblyn:

T +61 2 6273 8111
F +61 2 6273 8011

Re: Review of electricity transmission revenue and pricing rules

I write on behalf of the Energy Intensive Industries Alliance in response to the Commission's initial consultation scoping paper on the review of the national market (NEM) rules for electricity transmission revenue and price regulation.

The Alliance represents the interests of industries - and in particular cement, paper, timber, aluminium and plastics and chemical industries - where energy is a substantial proportion of production costs (up to 25 per cent) and the cost and reliability of energy supply is an important contributor to the competitiveness of trade-exposed businesses.

The Alliance's membership embraces large-scale companies and sites as well as a number of small and medium-sized facilities, including timber processing plants, plastics production businesses and chemicals manufacturers. The major energy-intensive manufacturers account for about a third of Australia's annual electricity consumption.

Collectively, energy intensive manufacturing employs a million Australians, contributes more than \$200 billion to gross domestic product, and more than \$60 billion in value adding to the economy.

The Alliance welcomes the Commission's early focus on the scope and form of transmission regulation needed to achieve an efficient, safe and reliable electricity system.

In our view, transmission represents the single most important issue confronting energy policymakers and regulators. It is of concern that many of these issues have not been resolved in the 15 years since the national energy reform process began and we are especially focused on the need for current reform activity to be directed primarily towards delivering consumers competitively-priced, reliable power of satisfactory quality where and when they need it rather than on promoting efficient investment in supply systems.

In this context, we draw your attention to the fact that the introduction to the Commission's scoping paper, while making special mention of the importance of efficient transmission for investors in networks and generation, does not acknowledge that the long-term interest of consumers must be the core test for all developments in the market.

The Commission makes special mention early in this document of the fact that it is mindful of significant public debate on the need for incentives for infrastructure development. However, the Alliance stresses that the main interest of the Australian community with respect to the economy will be best served by the delivery of reliable power and gas supplies to business/industry, and to energy-intensive industries in particular, at prices that enable them to remain globally competitive.

We encourage the Commission to recognise in its deliberations the over-riding principle that a competitive energy market must deliver efficient outcomes to energy users in terms of price and service performance.

One of the most important drivers for achieving this goal will be the development and introduction of transmission rules to ensure that cost effective network augmentations are not impeded, thereby removing inter- and intra-regional constraints which currently limit the proper operation of the NEM and contribute to the reliability of supply.

In the scoping paper the Commission has raised a large number of important issues on which it invites comment. For the present the Alliance will restrict its response to indicating that it considers the proposed structure and overall timeline for the review process to be reasonable. However, allowing only 4-5 weeks for submissions at each stage of consultation is too short to allow consideration of complex issues and preparation of meaningful responses. Longer periods for comment should be able to be accommodated without delaying the commencement of the final rules.

The Alliance will begin consulting with its member associations and their member companies - ahead of the release by the AEMC of the issues papers on revenue requirements and pricing in October and November – and looks forward to having an opportunity to presenting their views both in written submissions and at the proposed public hearings.

Yours sincerely

MILES PROSSER
SENIOR POLICY ANALYST (A3P)
miles.prosser@a3p.asn.au

(FOR ENERGY INTENSIVE INDUSTRIES ALLIANCE)