



Inter-regional Transmission Charging

Rule change request - discussion paper 25 August 2011

The National Electricity Market (NEM) started in 1998 and the operational framework has, step by step, progressively adopted an integrated approach to reform. As the market matures it is addressing the need for NEM-wide sharing of system costs and benefits. This Rule change request from the Ministerial Council on Energy (MCE) aims to improve the cost-reflectivity of transmission charges and the allocation of costs across regions.

About this request for change

Transmission network businesses recover costs for investment in the electricity transmission networks from customers within their own regions, although other customers in other regions may also benefit from such investment through electricity flows to their region.

The lack of a mechanism to charge customers in different regions could reduce the ability to make efficient investment decisions informed by responses to cost-reflective prices. The lack of such a mechanism could also impede the development of a more efficient national transmission network.

Next steps for consultation on this Rule change request

On 25 August 2011, the AEMC called for comment on its Discussion Paper for the Inter-regional Transmission Charging Rule change request. The AEMC invites submissions on its Discussion Paper by 23 September 2011.

The AEMC intends to seek modelling of the cost impacts of the relevant inter-regional transmission charging option after considering stakeholders' views. The draft Rule determination and draft Rule will be published after the modelling is complete, with the final Rule and Rule determination planned to be published in February 2012.

Background to this MCE request

This Rule change request follows previous work in this undertaken by the AEMC's National Transmission Planner Review and its Review on Energy Market Frameworks in light of Climate Change Policies (Climate Change Review). The AEMC's National Transmission Planner Review recommended that the current lack of a systematic inter-regional transmission charging mechanism could impede the development of a more efficient national transmission network. In response, the MCE requested that the AEMC consider the need to improve the existing inter-regional transmission pricing arrangements as part of the Climate Change Review which was completed in 2009. This Rule change request is based on recommendations from the Climate Change Review. A draft Rule determination on this request was published on 2 December 2010.

Regional transmission charging – discussion paper

The AEMC is considering developing a uniform national inter-regional transmission charging regime and methodology. There is a range of possible options for inter-regional transmission charging. One option could be to base new arrangements on current intra-regional transmission charging methodologies. However, the AEMC now considers that differences between these methodologies could result in inequitable and inefficient allocation of charges. The AEMC is now seeking comment on three options to develop a uniform national inter-regional transmission charging regime and methodology.

The AEMC invites submission on the discussion paper for the inter-regional transmission charging Rule change request.

Submissions are due by Friday 23 September 2011

Options for a national inter-regional transmission charging regime

There are three options now open for public comment on how best to develop a uniform national inter-regional transmission charging regime and methodology.

These options are:

- Modified Load Export Charge – similar to the original Load Export Charge proposed in the draft Rule determination which would be applied on a region-by-region basis, except the calculation of the inter-regional transmission charge would be based on a single national transmission charging methodology;
- Cost Sharing – the costs of network assets used for inter-regional flows would be shared across TNSPs in the NEM; and
- National Electricity Market-wide CRNP – similar to the Modified Load Export Charge, except a single charging methodology would be applied once across all regions in the NEM rather than being applied separately on a region-by-region basis.

This Discussion Paper is intended to test the various options with stakeholders to inform the AEMC's assessment of whether any of these options for developing a uniform national inter-regional transmission charging regime are consistent with the National Electricity Objective.

The scope does not extend into changing the approach to the current intra-regional transmission charging arrangements. Where issues are identified in relation to the intra-regional transmission charging arrangements, it would be more appropriate that they be addressed through alternative processes such as the longer term Transmission Frameworks Review.

The introduction of a new inter-regional transmission charging regime would have an impact on transmission businesses' current transmission charging. For electricity users, in particular those connected directly to the transmission network, the imposition of an inter-regional transmission charge may result in changed charges.

Load Export Charge

In the AEMC Climate Change Review's final report, the AEMC recommended the introduction of an inter-regional transmission charging mechanism in the form of the Load Export Charge.

The Load Export Charge would be a levy on transmission businesses in each adjoining region. This charge would reflect the costs of providing transmission capacity to transport electricity to the adjoining regions.

In its policy response to the Climate Change Review, the MCE supported, in principle, the introduction of the Load Export Charge. This formed the basis of the rule change request currently being considered.

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