



25 February 2011

Mr John Pierce
Australian Energy Market Commission
Level 5
201 Elizabeth Street
Sydney NSW 2000

Dear Mr Pierce

ERC0106 - Inter-regional Transmission Charging - Draft Rule Determination

Origin Energy Limited (Origin) welcomes the opportunity to provide a submission to the AEMC's Inter-regional Transmission Charging Draft Determination.

Origin is broadly supportive of the Draft Determination. Following the introduction of inter-regional transmission use of system (IR TUOS) charges, customers in net importing or exporting regions will face more cost-reflective network costs. More efficient network pricing is a positive change. We agree in principle that there is also a possibility that IR TUOS could improve Transmission Network Service Providers (TNSPs) incentives to coordinate inter-regional network investment. However, given the primary investment drivers are still jurisdictionally-determined planning standards, it is unlikely this new mechanism would have a significant influence in the short-to-medium term.

The benefits of more efficient network pricing can only arise, however, if customers face and can respond to the more cost reflective charges. Origin has some concerns about: (1) how TNSPs intend to set the inter-regional charges each year; and (2) the ability for retailers to pass-through this new charge to customers.

We encourage the AEMC to ensure that the TNSPs' pricing methodologies are transparent in explaining their calculation and treatment of IR TUOS. Transparency and certainty are important for retailers when determining prices and engaging with jurisdictional regulators on regulated retail tariffs. This is particularly important given IR TUOS charges can vary as the prevailing flows between regions change. While capping the variation by 2% year-on-year limits the potential cost swings, it can make it more challenging for retailers to forecast transmission charges.

Origin considers there is a lack of detail at this stage over the pricing methodology. We note that the AER could play an important role in providing guidance on the IR TUOS methodology. For example, it could consider matters such as charging frequency and variability and whether the pricing is ex post or ex ante. While this level of detail may be too specific for the National Electricity Rules (NER) themselves, it is important for the NER to identify clearly the process and responsible persons for determining the details.

If you have any questions or would like to discuss this submission please call me on (02) 8345 5250 or Hannah Cole on (02) 8345 5500.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Tim O'Grady". The signature is fluid and cursive, written over a white background.

Tim O'Grady
Head of Public Policy
Corporate Affairs