



Hydro Tasmania
the renewable energy business

24 June 2010

Ms Anita Lai,
Australian Energy Market Commission
PO Box A2449,
Sydney South NSW 1235

Submitted on-line via AEMC website

Dear Anita,

Re : Inter-regional Transmission Charging ERC0106

Hydro Tasmania would like to thank the Commission for the invitation to comment on the Inter-regional Transmission Charging, Consultation Paper, which was issued on 13 May 2010. Hydro Tasmania is also a party to a submission by the National Generators' Forum.

Hydro Tasmania is Australia's leading renewable energy business, serving electricity, renewable energy and water management markets. We generate hydropower in Tasmania and trade electricity derivative products and energy-related environmental products such as Renewable Energy Certificates in the Australian market.

Our consulting arm offers products and services internationally, focusing on the Asia-Pacific region, based on the expertise we have developed over our 100-year history in power schemes, water management, renewable energy developments and environmental management. Hydro Tasmania Consulting has offices at Cambridge, Tasmania and in Melbourne, Brisbane, Adelaide and New Delhi, India.

During 2009 we acquired the Victorian electricity retailer, Momentum Energy Pty Ltd. Our range of joint ventures includes Roaring 40s Renewable Energy Pty Ltd which we hold with the CLP Group. At 30 June 2009, Roaring 40s owned three wind farms in Australia with several other developments approved or in planning processes across a number of Australian states.

Hydro Tasmania broadly supports the proposal to introduce inter-regional transmission charging, so that transmission businesses in each region would levy a load export charge on transmission businesses in adjoining NEM regions, to recoup the investment in prescribed transmission assets which are required to support the flow of electricity from one NEM region to adjoining regions.

Our main reservation with the Commission's inter-regional transmission charging proposal relates to the prediction of future network flows as a basis for assigning costs shares. We also wish in this submission to address the issue of materiality and concerns that have been expressed that the proposed Rule is not justified, due to lack of supporting evidence.

Need and Materiality

The view has been expressed that it is not certain that inter-regional transmission charging arrangements are needed, because at this stage, the existence of a problem has not been demonstrated as being either material or enduring. However Hydro Tasmania is of the view that the materiality of this issue depends very much on one's perspective in time.

We are supportive of the request for the public disclosure of an assessment of the magnitude of net inter-regional payments based on historical network flows. However it would be unwise to assume that the historical flows will be a reliable guide to future performance, given the projected large growth in renewables in South Australia and the untapped wind energy potential in Tasmania.

We believe that it is also, and probably more pertinent, for an assessment to be provided on the basis of a forward-looking view. We recognise that a degree of uncertainty will always surround projected system demand, generation location and consequent power flows. The materiality of net inter-regional payments may be low today but it is unlikely to remain so.

In our view, the question for the Commission is whether it is appropriate to proactively introduce regulatory change to deal with an issue which is not necessarily material today, but is projected to become so.

Hydrological Variability

In the case of Victoria/Tasmania inter-regional transfer, forecasting of network flows is particularly difficult, depending as they do on hydrological inflows in Tasmania, which can vary $\pm 30\%$. We would ask the Commission to consider how the process for determining the inter-regional transmission charges could cater for potentially large swings from year to year, in inter-regional transfer payments between Victoria and Tasmania, without resulting in unmanageable variations in Customer costs.

In closing, Hydro Tasmania would like to re-iterate its in-principle support for the inter-regional transmission charging proposal based on a load export charge and to table a request for any assessment of materiality to have a forward-looking component.

If you require any further information, please contact me on (03) 6230 5775.

Yours sincerely,

A handwritten signature in black ink that reads "D. Bowker." The signature is written in a cursive style and is underlined with a single horizontal stroke.

David Bowker

Manager Regulatory Affairs

Hydro Tasmania