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Australian Energy Market Commission
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RULE CHANGE PROPOSAL: SNOWY REGION BOUNDARY

Thank you for the opportunity to comment on the proposed *National Electricity Amendment (Snowy Region Boundary) Rule 2006*. The continued stability of region boundaries is crucial for market certainty, and changes to region boundaries are a significant long-term risk in the National Electricity Market (NEM). The proposed changes to the SNOWY1 region must be assessed against these risks, and proceed if it will enhance rather than reduce certainty in the market. Having weighed the risks and disruption against the benefits CS Energy supports the proposal by Snowy Hydro Limited.

The intra-regional constraint between Murray and Tumut in the SNOWY1 region has been of concern for several years. The affected participants, particularly Snowy Hydro, have lobbied for change in this area, evidenced by:

- Snowy CSP/CSC trial;
- Management of negative settlement residues in the Snowy Region Rule change proposal;
- Recovery of negative inter-regional settlements residue Rule change proposal;
- Snowy Hydro region boundary change request;
- Macquarie Generation region boundary change request;
- Previous Macquarie Generation, in conjunction with Delta Electricity and Eraring Energy derogation request for a boundary review;

Constraints between Murray and Tumut have occurred for hundreds of hours during the past four years, and participants are clearly concerned. The regulatory activity listed above demonstrates that consideration needs to be given to making the change now, rather than waiting for the regional boundary change process to be finalised. CS Energy believes this is a unique situation where the original region boundaries were not well chosen and so constitutes a special case for one-off intervention. Such intervention is only possible or desirable because:

- Disruption to secondary markets should be minimal;
- The possibility of a change to the SNOWY1 boundaries has been flagged for a long time and will not be a surprise to participants.
- The region has no customer load;
- The proposal is to abolish a region, simplifying the market geometry;
- The affected participants have requested this change;
- The geography of the region and its National Park status make augmentation of the transmission assets unlikely.

Following this review of the SNOWY1 boundaries other boundary changes should follow the procedures determined by the recent review into the process and criteria for the determination of region boundaries in the National Electricity Market. This region boundary review should not be considered as a precedent for future reviews.

CS Energy notes that the Snowy Hydro proposal includes only a one year lead time to implementation. This is a short period for participants to adjust their positions in secondary contract markets and renegotiate any affected contracts. CS Energy notes that the short lead time has been chosen to coincide with the expiration of the current CSP/CSC trial. If participant feedback to this consultation demonstrates significant concern about the short lead time then consideration should be given to delaying the implementation date and extending the CSP/CSC trial.

A second proposal for dealing with the problems associated with the SNOWY1 region was submitted by Macquarie Generation and is the subject of another consultation. CS Energy has responded to that proposal in the negative. The alternative proposal is more complex and introduces additional boundary changes to address issues that have not proven to be material or enduring to date. The Macquarie Generation proposal can be implemented at a later date via the new Rules for region boundary review if necessary. The Snowy Hydro proposed region boundary change is the minimum change that is common to both proposals, and so represents low risk if implemented.

CS Energy supports the proposal by Snowy Hydro Limited.

Yours faithfully

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