

4 October 2010

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

FROM THE OFFICE OF THE
CHIEF EXECUTIVE OFFICER

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By online submission

John,
Dear Mr Pierce

Request for Change to National Electricity Rules regarding Marginal Loss Factors

AEMO requests the AEMC to consider making a Rule change under section 91 of the National Electricity Law (NEL). The proposed Rule seeks to amend clause 3.6.2 of the National Electricity Rules (NER) to allow AEMO to apply two marginal loss factors (MLFs) to transmission network connection points where there is both generation and consumption of energy, and the application of one MLF does not satisfactorily represent losses for the purposes of efficient dispatch.

This issue was initially considered in consultation on the loss factor methodology, which was conducted by NEMMCO in accordance with rule 8.9 of the NER and completed on 27 February 2009. The Rule change proposal seeks to implement the solution recommended in that consultation.

The Rule change proposal includes a statement of the issues concerning the existing NER, a description and drafting of the proposed Rule, an explanation of how the proposed Rule contributes to the achievement of the national electricity objective, and its expected benefits and costs.

AEMO would be pleased if you could have these matters considered by the AEMC. For further details, please do not hesitate to contact Terry Grimwade on 03 9609 8520.

Yours sincerely



Matt Zema
Managing Director and Chief Executive Officer

- Appendix 1: Rule change proposal – EM 2010/001
- Attachment A: Summary of NEMMCO's consultation on the Forward Looking Loss Factor Methodology
- Attachment B: Illustrations of the consequences of different approaches used to calculate the MLF