Dear AEMC,

Transmission revenue and pricing fits within the context of the regulatory test until now administered by the ACCC.

It is my contention that the regulatory test does not consider long term impacts of the inability to export electricity (surpluses) from one state to another and as a result two impacts are evident:-

1. generation investment does not occur where least cost generation would be practicable (or just does not occur at all)
2. transmission investments ahead of generation investment does not occur and by default generation investment according 1. does not occur leading to a self fulfilling prophecy.

The regulatory test applied to incremental transmission investment has resulted in such inadequate longer term investment in transmission that the term ‘National Electricity Market’ is in jeopardy. Pricing differentials between states demonstrate this, where, if there were adequate transmission capacity, differentials should disappear (subject to losses).

Given that transmission developments now take longer than peaking, intermediate and even most base load generation developments, longer term transmission investments are already inadequate. A change in the pricing regime linked to a much more long term and strategic view of the regulatory test will be required to address this.

Industrial developments such as refining take about 2.5 years, base load generation developments between 5 and 8 years and long term transmission developments at least as long. If we are to encourage industrial and beneficiation investment, the transmission and generation investments have to be considered in a new light. Investors will not wait for new infrastructure, they will go elsewhere.

In this respect the Scoping paper also needs to consider these aspects.

Sincerely

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