

21 November 2019

Mr John Pierce
Chairman
Australian Energy Market Commission

Lodged online via: www.aemc.gov.au
Project reference: ERC0251

Dear Mr Pierce,

National Electricity Amendment (Transmission Loss Factors) Rule: Pre-determination hearing request

Lighthouse Infrastructure Management Limited (Lighthouse Infrastructure) has reviewed the *National Electricity Amendment (Transmission Loss Factors) Rule 2020 Draft Rule Determination* published by the Australian Energy Market Commission (AEMC) on Thursday 14 November 2019 (Draft Determination). Lighthouse Infrastructure considers that the Draft Determination has failed to appropriately assess the merits of the rule change proposal. Accordingly Lighthouse Infrastructure requests that the AEMC hold a pre-determination hearing pursuant to section 101 of the National Electricity Law.

Lighthouse Infrastructure considers that replacing marginal loss factors (MLF) with average loss factors (ALF) would advance the National Electricity Objective (NEO), by retaining locational signals but making them more reliable. This is explained in greater detail in the Lighthouse Infrastructure submission dated 18 July 2019 to the ERC0251 consultation paper dated 6 June 2019 (Lighthouse Submission).

The Draft Determination does not properly assess the relationship between certainty of investment signals and the cost of investment capital. It is critical to understand this effect of the ALF regime so that it can be appropriately balanced against the dispatch optimisation that AEMC considers is best supported by the MLF approach. We request a pre-determination hearing to explore this in greater detail.

The AEMC appears to have rejected the ALF proposal partly on the basis that the AEMC considers its Coordination of Generation and Transmission Investment (CoGaTI) reform program provides a more appropriate solution. It is far from clear that CoGaTI reforms will provide market participants with clearer long-term loss factor signals at the time of generation investment, or that the reform package will be implemented in the near future or at all. Public submissions in response to the AEMC's latest CoGaTI discussion papers dated 14 October 2019 provided feedback that was not consistently supportive. We observe that a majority of market participants believe the access model reforms should only be introduced with a longer lead time than AEMC proposes, if at all. In light of this feedback it is appropriate for the AEMC to reconsider adoption of ALFs to facilitate ongoing investment in the short to medium term.

Yours sincerely



Jevon Carding
Associate Director
Lighthouse Infrastructure Management Limited