

13 April 2006

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box H166
AUSTRALIAN SQUARE NSW 1215

By Email: submissions@aemc.gov.au

Dear John

RE: SUBMISSION ON ISSUES PAPER CONGESTION MANAGEMENT REVIEW

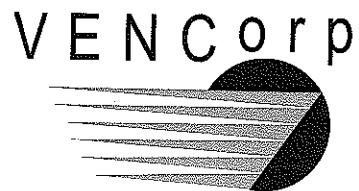
VENCorp welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Congestion Management Review Issues Paper (Issues Paper). VENCorp supports market based solutions and believes that a clearly defined regime for managing material congestion in the National Electricity Market (NEM) will improve the overall efficiency of the NEM by providing more appropriate investment signals for both entrepreneurial and regulated investors.

The main focus of the Issues Paper is on addressing congestion in the NEM through improving constraint formulation, regional boundary change processes of introducing constraint support pricing and contracts. However, the AEMC has not raised the prospect of commercial (or firm) access arrangements¹. VENCorp believes that commercial access is an important element of the overall congestion management regime which provides the opportunity for network users, who typically sit behind a constraint, to manage congestion in a manner which best meets their commercial requirements.

As was outlined in VENCorp's submission to the AEMC on its Electricity Transmission Revenue and Pricing Rules Scoping Paper the framework for negotiating commercial access in the National Electricity Rules (NER) requires substantial work.² The NER provides generators with the ability to negotiate commercial access with Network Service Providers (NSPs), however, to date these provisions have not been used because of the lack of guidance to NSPs on how these provisions should be applied.

¹ By 'commercial access' VENCorp is referring to either physical or financial arrangements negotiated between a transmission network service provider and network user for use of the shared transmission network over and above a transmission network service providers regulatory and legislative obligations.

² VENCorp, Scoping Paper – review of Electricity Transmission Revenue and Pricing Rules, 19 August 2005



VENCorp believes that the AEMC should investigate the development of detailed procedures for the negotiation of commercial access as part of this review. Until such time that detailed procedures are developed it is unlikely that NSPs will negotiate commercial access with network users.

Should you have any questions please do not hesitate to contact Louis Tirpou on ☎ (03)8664 6615.

Yours sincerely

A handwritten signature in black ink, appearing to read "M. Zema".

Matt Zema
Chief Executive Officer