

Ref: CW:MP:C1670734

25 February 2011

Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

Dear Sir / Madam

**Draft Rule Determination – National Electricity Amendment (Inter-regional Transmission Charging) Rule 2010 (Project Ref ERC0106)**

Country Energy welcomes the opportunity to provide a response to the Australian Energy Market Commission's (AEMC's) Draft Rule change determination – National Electricity Amendment (Inter-regional Transmission Charging) Rule 2010 (Draft Rule).

Country Energy supports in principle the introduction of a new inter-regional transmission charging mechanism in the form of a load export charge and agrees that some components of the new charging arrangement will improve the cost reflectivity of transmission charging.

**Locational Component**

Under the Draft Rule, the locational component of the prescribed TUOS service charge is allocated based on the proportional use of the transmission network. Country Energy agrees that a contribution by customers in the importing region relating to the use of the adjoining region's transmission system assets would contribute to improving the cost-reflectivity of the pricing arrangements and would form a necessary element in the inter-regional transmission charging mechanism.

**Non-Locational and Common Service Charge Components**

Under the Draft Rule, the non-locational component of the charges for prescribed transmission use of system services and charges for prescribed common services are charged on a postage stamp basis. Country Energy is of the opinion that these fixed charges are not cost reflective and provide the wrong price-signal. Including postage stamped components would impose costs on customers of an adjoining region that bear no relation to their proportionate use of the adjoining region's transmission system assets.

Furthermore, Country Energy understands that by including a postage stamp charge basis, the AEMC may be proposing an arrangement whereby customers in adjoining states will pay a material portion of state tax relating to a neighbouring state. An example of this is the land tax on Victorian transmission easements which would be incorporated within the load export charge and imposed on customers within the NSW region. Country

Energy believes that passing on these area specific type costs to other regions does not contribute to pricing efficiency.

In summary, Country Energy supports the locational component of the new inter-regional transmission charging mechanism however it does not support the inclusion of fixed charges on a postage stamp basis given that they bear no relation to the use of the adjoining region's transmission system assets.

Country Energy would be pleased to discuss this matter further. Should you require further information or clarification please feel free to contact Catherine Waddell on 02 6338 3553.

Yours faithfully

A handwritten signature in black ink that reads "N. Lindsay". The signature is written in a cursive, slightly slanted style.

Natalie Lindsay  
**General Manager Regulatory Affairs and Revenue Systems**