

10 May 2012

Mr John Pierce
Chairman
Australian Energy Market Commission
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Dear Mr Pierce

Proposed National Electricity (Negative Offers from Scheduled Network Service Providers) Rule ERC0140

AEMO appreciates the opportunity to respond to the above consultation. AEMO notes it has provided and will continue to provide technical and market design advice to the AEMC in preparing its consultation papers and subsequent documentation.

AEMO does not propose to address the issues raised in the consultation paper, but notes that the issues raised by the proponents arise as a result of congestion between the Latrobe Valley and the Victorian regional reference node. AEMO consider the issues are similar to those being addressed through the Transmission Frameworks Review. The concerns being raised by the proponents indicate difficulties that create an incentive to bid in a disorderly fashion. The Transmission Frameworks Review presents an opportunity to resolve these issues holistically in the longer-term.

Specifically, AEMO believes that allocation of access rights to transmission between the Latrobe Valley and the Victorian regional reference node would address the issues raised by the proponents. This could be either by a capacity-based allocation (package 2 in the AEMC's first interim report for the Transmission Frameworks Review) or, more preferably, a market-based tradeable access rights allocation (package 4).

If you have any questions about any matters raised in our submission, please do not hesitate to contact Brian Nelson on (02) 9239 9132.

Yours sincerely



Mike Cleary
Chief Operating Officer