



March 2007

Congestion Management Work Program Update

On 12 March 2007, the Commission released a Directions Paper identifying key issues to be addressed in the context of progressing the Congestion Management Review. The Directions paper highlighted the significant interrelationship between the Congestion Management Review and various Rule change proposals, particularly those relating to region boundary change. It confirmed the need for a comprehensive and integrated approach to ensure that these issues are effectively examined and addressed.

With this in mind, the Commission indicated in the Directions Paper that it would review its congestion management work program in light of the recent number of Rule change proposals received relating to the Snowy region boundary. The Rule change proposals before the Commission relating to the Snowy region include:

- Snowy Hydro's Abolition of Snowy Region proposal, which seeks to remove the Snowy region;
- Macquarie Generation's "Split Snowy Region" proposal, which seeks to split the current Snowy region in two; and
- Southern Generators' Congestion Pricing and Negative Residue Management Arrangements for the Snowy Region proposal (the "Congestion Pricing" proposal), which seeks to make the current transitional congestion pricing and negative residue management arrangements for the Snowy region permanent.

Macquarie Generation had raised an earlier proposal, submitted on 6 February 2006, which sought to abolish the current Snowy Region and create two new pricing regions with one in Northern Victoria, and one in South-West New South Wales. This had been progressed to the stage of considering first round submissions, conducting analytical assessments of the efficiency impacts of the proposal, and developing a quantitative model of the NEM to further assess the proposal's efficiency and risk management impacts. On 22 March 2007, in the light of Macquarie Generation's "Split Snowy Region" proposal, the Commission gave notice of its decision to discontinue the Rule making procedure on the earlier proposal.

First round consultation on the "Split Snowy Region" and "Congestion Pricing" proposals is currently underway with submissions closing on 30 April 2007. Second round consultation on the draft Rule determination and draft Rule on the Abolition of Snowy Region proposal is also underway, with submissions also closing on 30 April 2007. This alignment of public consultation periods will allow stakeholders the opportunity to simultaneously consider all the alternatives before the Commission.

The Commission is also progressing work in parallel on the Ministerial Council on Energy's (MCE) rule change proposal to reform the process for changing NEM regional boundaries.

The Commission considers it appropriate to align the release of future key publications relating to both the Review, the MCE regional boundary Rule change proposal and proposals relating to the Snowy region in order to continue providing interested parties with opportunities to consider and respond to the issues in an integrated manner.

Therefore, the Commission is proposing to publish the following in August 2007:

- The draft Congestion Management Review report;
- The draft Rule determination in relation to the Ministerial Council on Energy's proposal to reform the region boundary change process; and
- Determinations addressing the various Rule change proposals relating to the Snowy region boundary.

For further details on the above matters, please view the following pages on the AEMC's website (www.aemc.gov.au):

- [Congestion Management Review](#)
- [MCE Region Boundaries Rule change proposal](#)
- [Snowy Hydro Abolition of Snowy Region Rule change proposal](#)
- [Macquarie Generation Split Snowy Region](#)
- [Southern Generators Congestion Pricing and Negative Residue Management Arrangements for the Snowy Region](#)