



26 May 2011

ABN 19 622 755 774

Mr John Pierce
Chairman
Australian Energy Market Commission
Level 5, 201 Elizabeth Street
Sydney NSW 2000

201 Elizabeth Street (cnr Park St)
PO Box A1000 Sydney South
New South Wales 1235 Australia
Facsimile (02) 9284 3456
Telephone (02) 9284 3000
Web <http://www.transgrid.com.au>
DX 1122 Sydney

Dear Mr Pierce

Dual marginal loss factors draft Rule determination (ERC0117)

TransGrid welcomes the opportunity to comment on the Commission's draft Rule determination. TransGrid supports the change allowing AEMO to apply two separate volume weighted static marginal loss factors (MLFs) at specific connection points where the application of one volume weighted MLF would not accurately represent transmission network losses at those connection points.

TransGrid agrees with the reasons for the Commission's decision. In particular, the proposed solution is proportionate and will help reduce the extent of inefficient generation dispatch and negative intra-regional settlements residues. This will help to ensure that stakeholders face accurate and predictable price signals. TransGrid also agrees that the criteria for applying the dual loss factors should form part of the Forward Loss Factors Methodology and not be set in the Rules.

TransGrid also wishes to acknowledge the work undertaken by AEMO to address the underlying issue and development of the original Rule change proposal.

Should you wish to discuss any matter raised in this submission, please contact Anthony Englund, Economic Regulatory Strategy Manager, on (02) 9284 3148 or anthony.englund@transgrid.com.au.

Yours sincerely

A handwritten signature in blue ink that reads "Philip Gall".

Philip Gall
General Manager, Corporate and Regulatory Strategy