



**OFFICE OF THE CHIEF EXECUTIVE**

Ref. 06-GHJLtrAEMCCongestionMgtRev0611

6 November, 2006

Australian Energy Market Commission  
Attn: Dr John Tamblyn  
Chairman  
Level 16  
1 Margaret Street  
SYDNEY NSW 2000

Dear John,

**Congestion Management Review**

I refer to the recent report on Congestion Management Issues prepared by Dr Darryl Biggar and published on the Commission's website on 30 October. The report puts forward one possible methodology for measuring the significance of intra-regional congestion. This methodology is based on identifying the incidence of "mis-pricing" at each generator connection point.

The analysis in the report is based on examining constraints that are binding within the NEM Dispatch Engine (NEMDE) and that involve generation within the region. Any constraint that binds is then treated as conclusive evidence of mis-pricing. While such a methodology lends itself to a purely mathematical analysis, the results may not accurately portray the real situation with respect to congestion management, especially if the underlying reasons for the adoption of a particular constraint are not properly identified.

In particular, it is reported that the average duration of mis-pricing at connection points within the Queensland Region during 2005/06 was nearly 300 hours. This is substantially greater than the next highest result, around 180 hours for New South Wales.

However, this difference appears to be entirely attributable to the 1500 hours of "mis-pricing" identified at the Collinsville Power Station connection points. The constraints that have been identified as the cause of this mis-pricing in fact result from the implementation of network support arrangements within North Queensland. These constraints should be excluded from the analysis because the use of network support has already been shown to be an efficient response to network congestion under the Regulatory Test.

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That is, the congestion is already being effectively managed, and the inclusion of these constraints can potentially mis-inform. If the constraints associated with the implementation of network support arrangements are excluded then the average incidence of "mis-pricing" within the Queensland Region reduces to around 160 hours for the 2005/06 year.

This letter is able to be published on the Commission's website.

Yours sincerely,

A handwritten signature in cursive script that reads "Gordon H. Jardine".

Gordon H. Jardine  
**CHIEF EXECUTIVE**