

**Australian Energy Market Commission**

Level 5 201 Elizabeth Street Sydney NSW 2000  
PO Box A2449 Sydney South NSW 1235

P — 02 8296 7800

F — 02 8296 7899

E — [aemc@aemc.gov.au](mailto:aemc@aemc.gov.au)

ABN 49 236 270 144

[www.aemc.gov.au](http://www.aemc.gov.au)

26 September 2007

Ms. Kimberley Pattinson  
Ministerial Council on Energy Secretariat  
Department of Industry, Tourism & Resources  
GPO Box 9839  
Canberra ACT 2601

Email: [MCE@industry.gov.au](mailto:MCE@industry.gov.au)

Dear Ms Pattinson,

**Transmission pricing and investment**

I am writing to notify you of possible future development affecting the charges levied by transmission companies in respect of network investment undertaken in one region for the benefit of another region. The National Electricity Rules currently provide for charges to be established through negotiation between the respective jurisdictional governments. There is only one example of these arrangements in practice, between South Australia and Victoria.

In December 2006 the Australian Energy Markets Commission published its Rule Determination on the pricing of transmission services, which included a discussion of the framework for inter-regional transmission charges<sup>9</sup>. The Commission expressed a view that the issue might be more appropriately handled within the regulatory regime, rather than through inter-governmental negotiation - and discussed a number of possible options for how inter-regional charges might be established. However, the issue was not progressed further at that stage, pending further dialogue with the MCE.

Since December 2006 the Commission has progressed its work on the Congestion Management Review (CMR), and has commenced its work on a National Transmission Planner. Transmission investment and pricing has potential relevance to both of these work programs. The Commission will shortly publish its draft Report on the CMR. The Draft Report does not, in fact, recommend changes to transmission pricing arrangements as a means of better managing congestion. The work on the National Planner is, however, more likely to require consideration of appropriate pricing arrangements between regions, given its policy intent to improve co-ordination of transmission investment across the National Electricity Market.

The Commission considered it appropriate to inform you at any early stage of the likely consideration of the issue of inter-regional transmission charges in the context of the Commission's work on National Transmission Planner, and the possibility that this process will result in

---

<sup>9</sup> Chapter 7, Rule Determination, National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No.22, AEMC, December 2006

Ms. Kimberley Pattinson  
Ministerial Council on Energy Secretariat, ACT

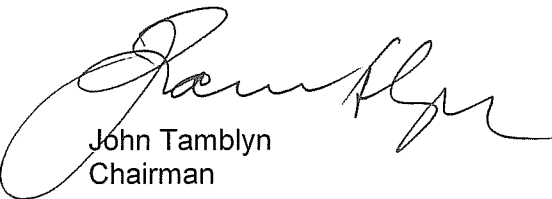
26 September 2007

---

recommendations to change the current framework of establishing charges through inter-governmental negotiation. The Commission will, of course, consult actively with individual jurisdictions, and with the MCE and SCO, in progressing its work on the National Planner.

I would be happy to discuss this further with you or your officials, or facilitate a working level discussion if that would be useful.

Yours sincerely



John Tamblyn  
Chairman