



Victorian Energy Networks Corporation

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Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box H166
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By Email: submissions@aemc.gov.au

Dear John

RE: Amendments to the Snowy Regional Boundary

VENCorp welcomes the opportunity to comment on the AEMC's consideration of the proposed amendments to the Snowy regional boundary. VENCorp has not offered a view on the efficiency or otherwise of the proposals under consideration. Instead, it has considered the matter from its perspective as a Transmission Network Service Provider (TNSP) in an affected region and has identified a number of matters that it wishes to draw to the AEMC's attention.

VENCorp seeks the AEMC's assurances that it has considered the potential ramifications, and any unintended consequences, arising from changes to the regional boundary on the following matters:

- revenue determinations and transmission pricing;
- multiple TNSPs within a region;
- incentive arrangements;
- national v jurisdictional incentives;
- supply-demand balance; and
- jurisdictional system security responsibilities.

Each of these is explored more fully in turn.

Revenue determinations and transmission pricing

The relevant provisions are that a transmission determination for a TNSP includes a revenue determination in relation to prescribed services (see cl 6A.2.1 and 6A.2.2). A key element of a revenue determination is the total revenue cap (see cl 6A.4.2), which applies to only one transmission system (see cl 6A.4.2(b)(1)). A transmission system (see chapter 10) is defined to include a transmission network and a transmission network is defined in part as "a network within any participating jurisdiction (see chapter 10).

VENCorp believes that the revenue determinations and the prices that a TNSP can charge relate separately to the network within jurisdictional boundaries. There is no mention of market price regions in the relevant provisions.

Therefore, any changes arising from an amendment to the regional boundary must not alter the revenue determination or pricing arrangements applicable to a TNSP which are based on the physical location of assets within jurisdictional boundaries.

Multiple TNSPs within a Region

There is a complicated link between determination of approved revenue and its recovery from Transmission Customers. As noted, the determination of revenue is essentially jurisdictionally based. However, recovery of approved revenue is on a regional basis. Where there are multiple TNSPs within a market region, the TNSPs must appoint a Coordinating Network Service Provider for the region (see cl 6A.29.1(a)). The Coordinating Network Service Provider is then responsible for setting prices for connection points within the region and making payments to other TNSPs with assets in the region.

Accordingly if the boundary of the Victorian market region is moved north then TransGrid's assets in the Snowy area will then be within the Victorian market region. Presumably VENCORP will be appointed the Coordinating Network Service Provider (in a similar fashion to its role in relation to Murraylink assets in the north-west of Victoria). TransGrid will need to determine the proportion of its approved revenue that is due to those assets (pursuant to cl 6A.29.1(b) and VENCORP must then add this to its revenue requirement and collection will be by VENCORP and VENCORP will be required to pay TransGrid the amounts it has collected as a result. VENCORP and TransGrid will be required to agree on the amounts in accordance with cl 6A.29.1

Incentive Arrangements

The AER is progressively developing incentives within the regulatory regime and the AEMC is reviewing congestion management within the market design. In VENCORP's view it is important that these two streams of work are aligned and a holistic package of incentives and mechanisms is developed. The capability of the network around and through the Snowy area is affected by reactive support and there is a continuing possibility of loop flows (notwithstanding modelling which predicts little negative residue). Access to the capacity of the Snowy scheme is an important element of reliability for both NSW and Victoria.

The proposed changes to region boundaries do not of themselves reduce or alter that significance of incentive arrangements. In the split Snowy option there will remain a strong reason for a workable incentive scheme. In the Snowy option, where the Snowy region disappears, mechanisms to ensure there is adequate reactive reserve available to support flows north and in particular south could be significant. VENCORP has not analysed the significance of the region boundary change but notes that the ability to procure dispatch and reactive reserve should be assessed and if necessary made a condition of acceptance.

National vs Jurisdictional Incentives and Imperatives

In the Snowy option VENCORP understands that TransGrid will own assets within the Victorian pricing region. In principle this will have no effect on operations but any disparities that arise because of TransGrid's jurisdictional licence or simply management policies will apply to a key line within the region.

Victorian Supply-demand balance

A shift in the boundary will result in changes to the calculation of Victorian regional demand and the complication of intermittent pumping load at Jindabyne of up to 70MW. There will also be a change in electrical losses in that all of the losses on the Murray to Dederang transmission lines will be internal to the Victorian region and appear as an increased demand at the Victorian reference node (measured on a sent out basis). The change in losses will not be large but will introduce a systematic bias in historical trends. Neither of these matters are significant and can readily be accommodated if understood and appropriate adjustments or annotations made to records.

Planning and Jurisdictional System Security

Activities associated with planning and the role of the Victorian Jurisdictional System Security Coordinator will need to interact with additional parties, in particular with TransGrid for matters associated with the additional length of line and presumably the Murray switching station.

If you have any queries please do not hesitate to contact Louis Tirpcou on ☎ (03) 8664 6615.

Yours sincerely



Matt Zema
Chief Executive Officer