



Victorian Energy Networks Corporation

Office of the Chief Executive Officer  
Victorian Energy Networks Corporation  
Level 2 Yarra Tower  
World Trade Centre  
Siddeley Street  
Melbourne Vic 3005  
Telephone (03) 8664 6500  
Facsimile (03) 8664 6510

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Dr John Tamblyn  
Chairman  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235  
By e-mail: [submissions@aemc.gov.au](mailto:submissions@aemc.gov.au)

Dear John,

### **AEMC Congestion Management Review - Exposure Draft**

Thank you for the opportunity to respond to the Australian Energy Market Commission's ("AEMC") Exposure Draft on Review of Congestion Management, dated March 2008 ("Exposure Draft"). This letter sets out VENCorp's comments in relation to the Exposure Draft.

The AEMC has proposed drafting to alter the Rules that would enable NEMMCO to recover negative settlement residues from the importing region's TNSP within a *billing period* and without netting the negative settlement residue against positive residues within a billing week. VENCorp notes that the Exposure Draft contained no specific wording allowing TNSPs to recover the negative settlement residues recoverable by NEMMCO including any costs related to the payment of negative settlement residues from transmission customers through its transmission charges. Regardless of this, in VENCorp's view the Rules contain provisions that allow it to vary its transmission pricing to account for variations in settlement residues and any related costs incurred by TNSPs. However, if it is wrong in its view, it will seek to ensure that the power for TNSPs to vary pricing to account for such variations and their related costs is made explicit.

There are a number of other interconnector related Rule and procedural changes that are currently being implemented or discussed for future implementation (e.g. removal of Snowy region, fully co-optimised constraint equation formulation, positive flow clamping, IRSR auctions up to three years in advance, etc.). It is difficult to assess all the practical implications that flow from the interaction of these changes and consequently, while a review is scheduled to be conducted within three years from the Rule change, it is suggested that a review be conducted at any time prior to that time in the event that the payment of the negative settlement residues becomes an overly or unjustifiable financial burden to TNSPs (such as, for instance, in terms of cash flow) or it creates volatility in transmission prices.

If you have any questions please do not hesitate to contact Franc Cavoli on (03) 8664 6616 or Louis Tirpcou on (03) 8664 6615.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'M. Zema', with a small flourish at the end.

Matt Zema  
Chief Executive Officer