

Our Ref: 44895
Your Ref: ERC0106
Contact Officer: Jess Hunt
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Mark Allen
Australian Energy Markets Commission
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Dear Mark

Inter-regional transmission charging – second draft rule determination

Thank you for the opportunity to comment on the inter-regional transmission charging draft determination. The AER supports the introduction of inter-regional transmission charges. We believe such charges will improve cost reflectivity and the allocation of costs across regions, leading to more efficient national transmission network development. We also welcome the comprehensive modelling undertaken by the AEMC.

The AER generally supports the proposals set out in the draft determination. However, we have reservations about two aspects of the proposed arrangements: governance and implementation. Our concerns are described below.

Governance arrangements

The AEMC proposes that inter-regional transmission charges are calculated by TNSPs using a charging methodology that is prescribed in the Rules. This approach has the potential to be overly rigid in the event of unanticipated practical problems or changing circumstances. In general, the AER prefers an approach where high level principles are set out in the rules, and the technical detail is specified in guidelines which are developed and amended by the AER.

That said, the benefits of inter-regional transmission charges have been recognised for many years, yet reform has proved difficult for a number of reasons. On balance, therefore, the AER supports the implementation of the arrangements proposed in the draft determination. However, we consider that the governance of inter-regional transmission charges is a matter that should be given further consideration in the future as part of a broader review of transmission charging. This could potentially occur as part of the work program stemming from the Transmission Frameworks Review.

Implementation

The draft rule requires the AER to amend the transmission pricing methodology guidelines to reflect the introduction of inter-regional transmission charges in the rules. TNSPs would then need to amend their charging methodologies to reflect the new rules and guidelines and submit them to the AER for approval.

The actions required to implement the draft rule would need to occur during a period when the AER and industry already face a heavy workload associated with the Better Regulation work program. The AER would suggest savings and transitional arrangements which, so far as possible, minimise the additional workload during this period, but achieve the same ends. We would be happy to work with AEMC staff to develop arrangements which could be implemented and how they could work in practice.

If you would like to discuss any aspect of this submission please contact me on 03 9290 1470 or Jess Hunt on 08 8213 3441.

Yours sincerely



Chris Pattas
General Manager
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