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FOR A BETTER WORLD

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Australian Energy Market Commission
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Email: aemc@aemc.gov.au

Dear Sir/Madam

Inter-regional Transmission Charging
Draft Rule Determination

Visy makes this submission in response to the AEMC's Inter-regional Transmission Charging Draft rule Change Determination.

Visy is an integrated pulp, paper, packaging and recycling company, and a large energy user within the NEM.

This Draft Rule Determination is occurring at a time when large electricity users are experiencing (and facing) steeply rising prices as a result of a number of factors, including escalating transmission and distribution network charges.

This Draft Rule will raise transmission network charges in some regions (whilst reducing prices in other regions), and needs to be carefully considered to avoid introducing new anomalies and distortions to the electricity market.

Visy believes that the load export charge (LEC) should be based only on the locational component of prescribed transmission services and should exclude the postage stamped components. Inclusion of postage stamped components will likely result in importing regions making a significant contribution above the Long Run Marginal Cost (LRMC) of existing and new transmission assets. This is distortive and can impede inter-regional flows.

In addition, Visy is concerned with the intention for the passing through of State-based taxes and services to adjacent NEM regions. In particular, the Victorian Transmission Land Tax, which is currently passed through to Victorian electricity consumers will be re-allocated in accordance with the proposed inter-regional transmission charge, so that consumers in other regions would be cross—subsidising consumers in Victoria. This is a distortion.

Finally, Visy believes that the proposed Inter-regional Transmission charge does not provide strong pricing signals to any party as the signals are muted and buried in transmission costs.

Visy supports the MEU suggestion, viz:

"The MEU believes that a more equitable system might involve the calculation of the LEC to be based only on those assets specifically used in exporting power and for the marginal costs to be allocated in terms of demand on those assets when the region is operating at its peak demand. This recognises that many of the costs an exporting region incurs are totally unrelated to any export of power and, therefore, should not be allocated to an importing region.

Further, there must be recognition that interconnection provides considerable reliability benefits to regions that are not recognised at any point. As the MEU notes, Victoria receives a considerable reliability benefit from Tasmania which is used occasionally, but when it is used, it avoids the potential for involuntary load shedding.

When the changes recommended by the MEU are made to the LEC calculation, it becomes quite apparent that the LEC would become a quite small amount, and therefore raises the concern the MEU enunciated in its earlier submissions on this topic, that introducing inter-regional charging to improve cost reflectivity, becomes a less important issue than other distortions in the electricity market".

Yours sincerely

R. deS

Royce DeSousa
General Manager – Energy & Sustainability