

Our Ref: 40107  
Your Ref: ERC0093  
Contact Officer: Kate Murphy  
Contact Phone: (02) 6243 1086

28 January 2010

Dr John Tamblyn  
Chairman  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

Dear Dr Tamblyn

**Grid Australia rule change proposal: Early implementation of market impact parameter (AEMC reference ERC0093)**

The Australian Energy Regulator (AER) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC's) draft rule determination on the early implementation of the AER's market impact parameter.

The AER is responsible for economic regulation of electricity network services in the national electricity market (NEM) and is responsible for publishing and implementing the electricity transmission service target performance incentive scheme (the scheme). These roles mean that the AER is well placed to comment on Grid Australia's proposed rule change and the AEMC's draft determination.

As noted in its previous submission, the AER broadly supported the early introduction of the market impact component of the scheme as it is likely to promote the efficient operation of the transmission system and have a positive effect on spot market outcomes. However the AER had a number of concerns regarding Grid Australia's proposed process and framework for implementing the market impact parameter. In particular, the proposed rule was inconsistent with the existing assessment framework in chapter 6A of the rules and favoured TNSPs as:

- TNSP's proposed values would be deemed to be accepted if the AER did not make a determination within 30 business days, and
- a TNSP may, but would not be obliged to, accept values amended by the AER.

The AEMC's draft rule determination has addressed the AER's concerns. The AER also supports the AEMC's proposals regarding:

- the three month timeframe provided for the AER to conduct a consultation and make a determination on a TNSP's proposal to implement the market impact component early
- the condensed 10 business day stakeholder consultation process, and
- provisions which permit the AER to make a preliminary determination on whether a TNSP's proposal complies with the relevant information requirements in the submission guidelines.

The AEMC's proposed assessment framework affords sufficient certainty to TNSPs as the AER will be required to accept well considered proposals which meet the requirements of the scheme. Given this, the AER agrees with the approach in the AEMC's draft determination whereby TNSPs will not have the option to reject any values amended by the AER.

The AER also agrees with the AEMC's assessment that Grid Australia's proposed deemed acceptance provision is unnecessary.

If you have any questions regarding the issues raised in this submission, please contact Kate Murphy on (02) 6243 1086.

Yours sincerely



Tom Leuner  
General Manager  
Markets Branch