

NEMMCO

30 March, 2001

Mr Michael Rawstron
General Manager, Regulatory Affairs – Electricity
Australian Competition and Consumer Commission
P O Box 1199
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Dear Michael

NETWORK PRICING DRAFT DETERMINATION

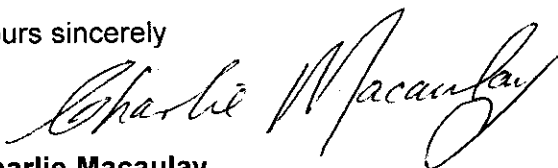
On 15 March 2001, the Australian Competition and Consumer Commission held a Pre-Determination conference relating to the Network Pricing Draft Determination.

NEMMCO, in this submission, seeks to re-enforce its position as stated in the Pre-Determination Conference namely:

- NEMMCO does not seek the role given to it in the draft determination. However, NEMMCO understands the rationale for the appointment of a body independent of the Transmission Network Service Providers (TNSPs) to administer and calculate TUOS prices on a consistent national basis.
- NEMMCO strongly believes that the methodology developed should be codified to the maximum extent possible leaving little discretion in regard to input assumptions.
- NEMMCO presently has no resources allocated to transmission pricing. Although TUOS prices calculation and administration may have some synergies with NEMMCO's present role in the calculation of marginal loss factors NEMMCO will have to acquire additional skilled personnel and develop new IT systems if the TUOS role does come to NEMMCO. Initial estimates are that NEMMCO's costs could increase by some \$500K per year.
- Given the complexity and divergent opinions on the future direction for TUOS pricing, NEMMCO believes that a 1 January 2003 deadline for implementation is overly optimistic.
- A modest increase in the number of pricing regions in the NEM would align with existing and future operational realities and improve the locational pricing signals inherent in the NEM Spot Market Design. This may significantly reduce the need to enhance locational pricing signals via TUOS pricing. NEMMCO recognises that the introduction of additional NEM pricing regions needs to be balanced against a number of other factors such as the impact on the availability of financial hedging instruments, potential market power issues etc.

Should you have any queries on the content of this submission please do not hesitate to contact me on 03 9648 8702.

Yours sincerely



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- 5 APR 2001

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