

Electranet Application to Vary Transmission Charges

Electranet's application to vary its transmission charges in response to the proposed reclassification of the Murraylink interconnector raises a number of issues, which I believe the ACCC should consider when deliberating on the matter:

- 1 It would be quite unreasonable for Electranet to be expected to bear any material regulatory risk associated with the ACCC's Murraylink decision. The only issue to consider therefore is whether or not the change in costs to Electranet is material enough to warrant a change in prices. It would be useful if the ACCC established clear principles and some definitive guidelines on this point for more general application in future and these could be included in the soon-to-be-revised Regulatory Principles document.
- 2 The current proposed division of responsibility as between Victorian and South Australian consumers to pay Murraylink's regulated revenue highlights the absurdity of the current network pricing arrangements under Chapter 6 of the Code, particularly where cross-border assets are concerned. The net effect of the current Code provisions and associated commercial arrangements is likely to result in virtually all of the costs of Murraylink being borne by Victorian consumers when the prime beneficiaries of Murraylink's network services in the market are New South Wales generators and South Australian consumers.
- 3 What is even more disturbing is that the various commercial arrangements and the underlying interpretations of the Code that will produce this outcome are not all in the public domain. These arrangements include the split of Murraylink's charges between Electranet and VENCORP applied by Murraylink, the expected additional inter-regional surpluses (or equivalent from the sale of SRAs) payable by NEMMCO to Electranet, and the negotiated agreement for TUoS equivalent payments by South Australia to Victoria out of the inter-regional settlement surplus (or equivalent) that Electranet receives from NEMMCO for energy imports into South Australia. There is no justification for claiming commercial confidentiality for any of these arrangements that impact on how TNSP regulated revenues are allocated amongst NEM participants and eventually passed through to consumers.
- 4 This bizarre outcome can be blamed on the lack of any real progress in the past 6 years by policy-makers and administrators in resolving the obvious inequities and economic inefficiencies of the current transmission network pricing arrangements.
- 5 The net effect of all of the above arrangements is likely to be very little change in Electranet's net costs, and it would not be a surprise if there was even a small net decrease. In the circumstances, there is a strong possibility that changes in Electranet's costs may not be material enough to warrant a change in prices prior to 1 July 2004, for the sole reason that Victorian consumers will be the ones footing the bill!!.

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