

16 January 2020

Mr John Pierce AO
Chair
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Electronic Submission – ERC0251

Draft Rule Determination – Transmission Loss Factors

Dear Mr Pierce

Energy Networks Australia appreciates the opportunity to respond to the Australian Energy Market Commission (**AEMC**) Draft Rule Determination – Transmission Loss Factors.

Energy Networks Australia is the national industry body representing businesses operating Australia's electricity transmission and distribution and gas distribution networks, with member companies providing more than 16 million electricity and gas connections to almost every home and business across Australia.

The AEMC's Draft Rule Determination maintains the current arrangements for marginal loss factor and the distribution of intra-regional settlement residues (IRSR). Energy Networks Australia supports this draft determination.

As set out in our response to the AEMC's consultation paper, Energy Networks Australia supports marginal transmission loss factors as this provides an important locational and cost signal to prospective generators on where to build. Changing from a marginal loss factor to an average loss factor would introduce inefficiencies in both prospective generator locations and in market dispatch.

Energy Networks Australia also supports IRSR continuing to be allocated to consumers rather than be reallocated to generators. This is appropriate given that it is consumers that pay for the shared transmission network. It may be more appropriate that this is passed to consumers via AEMO.

The Draft Rule Determination states that new generation capacity totalling approximately the current size of the NEM (ie 50GW) will connect over the next 10 years. This is a significant transition to new generation technology as the existing generation fleet will be replaced by 2040.

The AEMC notes that despite the continuing volatility in loss factors in some remote locations, generators are continuing to locate in these areas. As noted by the AEMC, Energy Networks Australia considers the recent Transparency of new projects rule may help to address the information asymmetry issue for both current and prospective generators.

Energy Networks Australia supports the AEMC view that recent volatility in marginal loss factors reflect a broader set of generation and transmission issues which are beyond the scope of the transmission loss factors rule change process. Energy Networks Australia considers that initiatives such as actioning of the Integrated System Plan (ISP), Coordination of Generation and Transmission Investment (COGATI), and the ESB's post 2025 market review project are all necessary to address the fundamental issues arising in this transition. In particular the COGATI review is expected to implement dynamic loss factors and may consider the appropriateness of hedging arrangements for loss factors in the design.

Should you have any queries on this response please feel free to contact Verity Watson, vwatson@energynetworks.com.au.

Yours sincerely,



Andrew Dillon

Chief Executive Officer