

11 April 2024

Christian Dunk
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RE: Flexibility in the allocation of interconnector costs, submitted online and via email

Dear Christian,

Thank you for considering feedback on proposed rule changes to enable flexibility in the allocation of interconnector costs. Our primary concern is that the Commission may address the fundamental challenge of best allocating interconnector costs through two separate rule change proceedings. Our recommendation is that the Commission consider the rule change proposal from Ministers Bowen, Duigan, and D'Ambrosio¹ concurrently with the rule change proposal from the Public Interest Advocacy Centre (PIAC).²

Energy Consumers Australia is the national voice for residential and small business energy consumers. Through our surveys and outreach, we know that consumers primary concern in the energy transition is affordability. Building the needed interconnectors and fairly allocating the costs of those interconnectors is key to delivering an affordable energy transition.

The current rules that allocate costs for large transmission projects that span multiple states – i.e. interconnectors – are broken. The current rules allocate and recover costs based on the physical location of infrastructure, rather than recovering costs from those who most benefit from that new infrastructure. This broken approach to cost allocation can make projects difficult to build – such as Marinus Link – and lead to on-going unfair electricity prices for consumers in certain jurisdictions.

The rule change proposed by Ministers and being consulted on by the Commission at present and the recent one from PIAC both offer solutions to this same, fundamental problem. Ministers wish to address the challenge, at least in part, by offering an alternate pathway to cost allocation under the rules, while PIAC wants to change the underlying cost recovery framework. While these solutions may not be mutually exclusive, PIAC's approach could make Ministers proposal unnecessary.

As the Commission well understands, there is a long and challenging mix of policy issues currently being discussed and resolved to enable the energy transition to deliver benefits to consumers and the environment. Given that large volume of work and the value of solving problems at their root cause, rather than via alternative pathways that may not be durable, the best approach to addressing the fundamental issue of transmission cost allocation is to consider both rule change requests concurrently.

Not only is this the best approach, it also gives all stakeholders a fair go at having their rule change requests considered in a timely manner. The Commission is obliged to consider rule change requests from any proponent and assess each proposal on its merits. By choosing to consider the Ministers rule

¹ Rule Change request, Providing Flexibility in the Allocation of Interconnector Costs, December 2023.

² PIAC, Transmission pricing rule change request, 23 February 2024. Available at <https://www.aemc.gov.au/rule-changes/allocation-coststransmission-Projects>



change request and delaying if not avoiding PIAC's proposal, the Commission creates the perception of playing favourites to stakeholders who are more politically powerful than consumer advocates.

One wonders how the Commission might have acted if roles were reversed and Ministers provided a rule change focused on addressing the fundamental, root cause of the problem and PIAC provided a rule change focused on creating an alternative pathway. Which proposal would the Commission consider, or would it consider both proposals concurrently?

In conclusion, the Commission should consider both rule change requests together because it is the most efficient and effective solution to the underlying challenge and the fairest way to treat disparate stakeholders.

Yours sincerely,

Brian Spak
Director, Energy System Transition