

AEMC RIGHT TO REJECT PROPOSED CHANGES TO MLF

The Energy Users Association of Australia (EUAA) welcomes today's rejection of the proposal to change the Marginal Loss Factor (MLF) methodology and distribution of Inter-Regional Settlement Residues (IRSR) by the Australian Energy Market Commission (AEMC).

"It is critical that our electricity markets operate in line with the National Electricity Objective, which ensures the market works in the long-term interests of consumers," said EUAA Chief Executive Officer, Andrew Richards.

"The AEMC is right to reject the proposed MLF rule change to ensure consumers do not pay for someone else's costs or suffer the negative consequences of their investment decisions. The rule change, if accepted, would have provided a green light to transfer wealth from consumers to generators."

The MLF is a method of calculating the direction and distance of energy flows from a generator to its destination at a consumer. The further electricity needs to travel along the grid, the greater electricity is lost along the route. It is essentially quantifying the effect of physics.

MLF is calculated each year by the Australian Energy Market Operator as new generation connects to the grid. These changes impact the direction and distance of energy flows. MLF calculations are essential in determining how much electricity that is generated actually reaches its destination and therefore how much a generator is paid.

"Fundamentally, consumers should not be paying for electricity that doesn't arrive," said Mr Richards. "While there are challenges in Australia's electricity network, getting consumers to pay for non-existent electricity is not a result we can support and we are pleased that the AEMC has arrived at this sensible decision."

"Similarly, any money left over in the system as part of IRSR, should be given back to consumers by way of lower system use charges. After all, it is consumers who pay the bills."

The EUAA represents large energy users, some of whom who are spending \$1 million per day on energy. Many large energy users are seeking solutions to rising energy costs and have invested billions into energy efficiency, system upgrades, storage, renewable energy, demand response and many other measures with the aim of reducing energy consumption and costs.

Large energy users who are producing essential goods and services, foods, building materials, paper, plastics and raw materials are under increasing pressure from energy bills.

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