

## **AEMC DRAFT DETERMINATION - PROVIDING FLEXIBILITY IN ALLOCATION OF INTERCONNECTOR COSTS (ERC0383)**

**1 AUGUST 2024**

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the opportunity to make a submission under AEMC's Draft Determination - Providing Flexibility in Allocation of Interconnector Costs (ERC0383).

The EUAA supports the Commission's Draft Determination. The Commission have struck the right balance between implementation of political decisions while keeping the AER at arms-length from the decision and allowing for a more equitable allocation of costs between jurisdictions (as agreed by governments), where the number of connections and therefore the net bill impact could be vastly different following the current allocation process in the NER.

However, we are concerned about the timing of the proposed commencement date (1 September 2025) for the rule change, and its interaction with AER's decision on APA's application for the conversion of Basslink from a market asset to a regulated asset (scheduled for a decision in February 2025). Assuming that the AER decides to approve conversion of Basslink, and that governments across the two jurisdictions would like to enter into an interconnector cost allocation agreement, we see a six-month period where the allocation of costs may be inequitable to consumers due to the disparity in the number of connections in Tasmania and Victoria. With the current proposed commencement date, governments would be unable to achieve a more equitable cost allocation.

We propose the following solution, which has impacts for both AER and APA, (noting that the Commission is already impacted through a short six-week Final Determination process). We believe our proposal will result in a better outcome for consumers:

- That the AER (should it approve APA's application for the conversion of Basslink), in agreement with APA, delay the conversion commencement date on Basslink to align with the commencement date for the current Rule Change.
- That the AER agree to fast-track the preparation and consultation on its Guidelines on Providing Flexibility in Allocation of Interconnector Costs to enable the commencement date of the current Rule Change to be earlier than anticipated.
- Ideally these dates would also align with the commencement of the first regulatory period for Basslink, i.e. 1 July 2025 (assuming the conversion is approved by AER).

Following this timeline provides governments the opportunity to enter into an interconnector cost allocation agreement if they choose.

This is one example of the “messy middle” of the transition to a net-zero energy system that needs a pragmatic approach by all parties involved, to minimise unintended impacts on consumers. We believe our proposal above strikes the right balance.

Do not hesitate to be in contact should you have any questions.



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