CENTRAL IRRIGATION TRUST
Trustee: Central Irrigation Pty. Ltd. ACN 075 446 810
4 Fowles Street PO Box 34
Barmera SA 5345
Telephone 08 8580 7100
Fax 08 8588 2001

CENTRAL IRRIGATION TRUST (CIT) SUBMISSION TO AEMO ON THE "REVIEW OF THE METHODOGOLY FOR CALCULATING FORWARD LOOKING TRANSMISSION LOSS FACTORS"

CIT is an irrigation infrastructure operator that extracts water from the River Murray and distributes it to approximately 5,000 customers predominately in the Riverland of South Australia. Our water distribution systems involve pumping water from the river and delivering it through pressurised pipelines to our customers. These systems also involve hydraulic distribution losses and consequently we do understand system losses. Our total energy expenditure is approximately $4 million per annum with the majority of our infrastructure supplied from the Berri node and to a lesser extent the North West Bend node. Both nodes are in South Australia.

We believe that there is a major flaw in the principles for calculating and apportioning marginal loss factors particularly for those customers whose nodes are near to, or influenced by, the interconnectors. In our specific case it is the Murraylink interconnector between the Berri node in South Australia and Red Cliffs node in Victoria.

The Berri node and the Berri Powercor node have seen an increase in Marginal Losses of 5.21% from 2013/2014 to 2014/2015. This is against an average increase in South Australia of 0.69% and a median increase of 0.23% for the same time period. The North West Bend node increase was 2.86%.

The reason for the change in Marginal Loss Factors is provided in the AEMO publication "LIST OF NEM REGIONS AND MARGINAL LOSS FACTORS FOR THE 2014-15 FINANCIAL YEAR". This report states "*The South Australian energy demand forecast for 2014-15 has reduced compared to 2013-14. Generation centres in South Australia remain at a similar level to the previous year. In comparison Victorian generation has reduced, leading to increased power transfers from South Australia to Victoria. South Australia MLF values are mostly similar to the previous year. The significant MLF changes in South Australia are:*

- *Increased power transfers to Victoria have led to increased MLFs at connection points near the Murraylink interconnector,*
- *Increased power transfers to Victoria have led to increased MLFs at connection points near the Heywood interconnector*. "

CIT believes that it is not appropriate or fair that those customers on the transmission lines supplying the interconnector should be accountable for the losses incurred by sending extra power from South Australia to Victoria.

In our case the change in loss factors has very little to do with losses attributable to changes in consumption at the Berri node but rather the desire for the South Australian generators to supply power to the Victorian market. The extra power sent by the generators across the

interconnector is responsible for the inflated losses and customers on the line supplying the interconnector are paying for the increased losses.

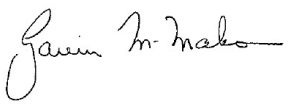
The national electricity market has been touted as a successful microeconomic reform in Australia. The interconnectors are an integral part of the national market allowing the linkage between the state transmission and distribution networks and were located where they provided the best cost benefit. This is sound theory; however this along with other government policies such as subsidies for renewable energy has resulted in some perverse outcomes. Such outcomes are the significant fluctuations in marginal loss factors on nodes close to the interconnector.

We believe that a simple solution exists. The marginal losses associated with the transfer of power from South Australia to Victoria should be distributed equally amongst all South Australian nodes. As everyone benefits from the national market, everyone should contribute to system losses resulting from interstate transfers.

Interestingly with the introduction of the Carbon Tax a completely different model was used for apportioning contributions where a national index was used. In this case each state or generator had a mix of carbon producing assets. Consequently each state or generator had a different index for converting electricity generation to carbon. However it was deemed too difficult to implement an individual generator or state index for converting electricity generation to carbon and consequently a national index was used for all generation.

If you would like to discuss our submission further please feel free to contact me.

Gavin McMahon



Chief Executive Officer
Central Irrigation Trust