

19th October 2018



**AUSTRALIAN
ALUMINIUM
COUNCIL LTD**

PO Box 63, Dickson
ACT 2602

Ph: 6267 1800

info@aluminium.org.au

Australian Energy Market Commission (AEMC)

PO Box A2449

Sydney South NSW 1235

By website: www.aemc.gov.au/contact-us/lodge-submission

AEMC COORDINATION OF GENERATION AND TRANSMISSION INVESTMENT REVIEW

Thank you for the opportunity to make a submission on the Australian Energy Market Commission's (AEMC) Coordination of Generation and Transmission Investment (COGTI) Review. This submission is made on behalf of Australia's aluminium industry, and covers the significant electricity use and economic activity associated with aluminium smelters and alumina refineries connected to the National Electricity Market (NEM).

The aluminium industry supports the intent of the COGTI to take a planned and strategic approach and to simultaneously consider investment in both generation and transmission. We further endorse the stated desire to 'secure outcomes that are in the long-term interests of consumers'.

Electricity supply is undergoing a significant transition as a result of changing technology costs and from the impact of Government policy. The future viability of electricity-using industry such as ours will be heavily influenced by initiatives such as the COGTI and – importantly – its success in delivering reliable electricity supply at an internationally competitive price.

However, despite the stated intent of the COGTI to deliver on the needs of consumers, we are concerned that it risks repeating mistakes of the past by again prioritising the interests of investors in electricity supply over the interests of consumers.

Electricity users are currently paying for historic overinvestment in elements of electricity supply such as transmission networks. The current structures lead to consumers bearing a disproportionate amount of the risk (and cost) that changes in technology or consumption patterns reduce the value of electricity supply assets. This is at odds with the situation we face in our own industry (and all other industries), where the owner of any asset bears the risk that technology or consumption patterns may reduce the asset's value.

The COGTI does not appear to change any of these deficiencies in the framework for planning and funding of investment in electricity supply, and may worsen the problem given

the significant level of investment that is contemplated in connecting new sources of generation.

It appears that the desire to implement a system promptly may be being prioritised over the opportunity to introduce changes that would avoid repetition of past deficiencies.

The Australian Aluminium Council is an active member of the Energy Users Association of Australia (EUAA) and we support the more detailed comments on these concerns provided in that submission.

I am happy to provide further information on any of the issues raised in this letter. The Council looks forward to engaging in further discussions of coordinating investment in generation and transmission.

Yours sincerely



MILES PROSSER

EXECUTIVE DIRECTOR

AUSTRALIAN ALUMINIUM COUNCIL

T 02 6267 1800

M 0429 923 605

miles.prosser@aluminium.org.au