



30 May 2008

Dr J Tamblyn
Chairman
Australian Energy Market Commission
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201 Elizabeth Street
SYDNEY NSW 2000
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Dear Dr Tamblyn,

RE: NATIONAL TRANSMISSION PLANNING ARRANGEMENTS: DRAFT REPORT MAY 2008

Thank you for the opportunity to contribute to the AEMC's consideration of the role, functions and structure of National Transmission Planning in the National Electricity Market.

The comments below are necessarily brief given existing resource constraints at this time, and tend to address issues with the overall scheme rather than commenting on the detail of the proposed Rule changes.

1 Inter Regional Pricing

While the Planning Council believes that an effective mechanism to transfer transmission charges across regional boundaries is critical to the effective implementation of a national planning function, it is an area that deserves serious consideration in its own right. Without modelling and analysis, the wrong choice of transfer model could have serious efficiency and behavioural consequences¹ and the treatment in the current draft is, at best, cursory.

¹ For example, the connection point cost allocation process does not easily apply to interconnectors given the bi-directional nature of their flows.

We welcome the AEMC's recognition of the importance of a transfer mechanism, but would strongly prefer that it be simply identified as a topic for future work rather than see it form part of the existing role and structure study or that it be presented at this late stage in the form of a recommendation to the MCE.

2 Explicit Allowance for RIT-T and Reg Reset

The Planning Council is strongly supportive of the proposals in 2.3.4 and 2.3.5 to allow the NTP, at its discretion, to make submissions to the RIT-T and AER Regulatory Reset processes. In fact, the Planning Council sees this ability as a core role for the NTP and a mechanism for more efficient and transparent decision making in the network sector.

3 Requirement for a draft version

The Planning Council supports the increased consultation and the publishing of a draft plan associated with the proposals in 2.4.3 and 2.4.4. While we appreciate that the final plan is the responsibility of the AEMO Board, it seems to be a useful step for the industry to have the opportunity to input into the process and correct errors of fact. However, it should be clear that such consultation should not impact on the independence of the analysis being undertaken by the NTP.

4 Information Gathering Powers

Section 2.5 of the draft report appears to suggest that the NTP can only access information either from TNSPs in the form of an annual, omnibus style request or through the industry data held by AEMO.

While a balance has to be struck that ensures that the reporting burden on TNSPs is not too onerous, the Planning Council would suggest that the information collection powers of the NTP needs to be both broader and more flexible.

In conducting the type of investigative work that the NTP should be undertaking, both in the development of the NTNDP and in relation to its advisory functions undertaken as a result of requests from the MCE, a process of continuous engagement would seem to be one that would assist both the NTP and the TNSPs in terms of working together to deliver outcomes to the market. The danger of a one-off collection methodology is that the NTP may feel compelled to ask for much more than it needs, just in case it finds that half-way through the period a query arises that requires specific information. The Planning Council would prefer to see the development of an information protocol that envisages a more integrated relationship between TNSPs and the NTP.

In looking at the strategic issues facing the network, it is the Planning Council's experience that the type of information that one requires comes from a much broader pool than the TNSPs. New generators, large customer loads and DNSPs can frequently have an impact on the major transmission flow paths and the NTP

should have the ability to access information about assets and installations that impact on the transmission system.

Given that some of these bodies (such as connection applicants) may not be registered participants, any such information gathering powers would appear to be more suited to being enumerated in the NEL rather than the NER.

5 Legal Architecture

The Planning Council is surprised at the balance chosen by the AEMC between items to appear in the *Rules* and those to be placed into the *National Electricity Law*. The Planning Council fully expects that the role of the NTP and the shape of the NTNDP will evolve over the next few years as the practical task of performing the new role is undertaken. As such, we were expecting to see a bias towards implementing the new role primarily through changes to the *Rules*. Instead, a significant number of the proposed instruments are proposed to be incorporated into the *Law*. While some items such as information gathering powers may clearly belong in the *Law*, the Planning Council would prefer to see the drafting attempt to put more into the *Rules*, thus providing increased flexibility and a more streamlined mechanism for updating the NTP scheme as and when it becomes necessary.

6 Governance Issues

The precise nature of the proposed NTP Advisory Committee still appears to require further clarification. It now seems clear that, from a governance sense, the obligation to manage the NTP and produce the NTNDP rests with the AEMO Board. While it is easy to envisage that the Board may choose to make use of an Advisory Panel to assist it, enshrining such a Panel in the NEL complete with laws to outline its role and structure, leaves one with the impression of a body that is far more than "advisory".

In keeping with our comments above in relation to the law/rule balance, the Planning Council recommends that, as a minimum, the AEMC consider relocating any requirements of the Advisory Panel into the Rules rather than the law and attempting to further explain how the dual reporting/governance arrangement between the Panel and Board will work.

I would welcome the opportunity to discuss any of the matters raised above with you or your staff.

Yours sincerely,

Braden Cowain
CORPORATE SECRETARY