



19 December 2007

National Transmission Planning Arrangements – Issues Paper
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

By Post

Dear Sir

APA Comment on AEMC November 2007 Issues Paper “National Transmission Planning Arrangements”

The APA (APA) Group welcomes the opportunity to comment on the AEMC Issues Paper “National Transmission Planning Arrangements” (the Issues Paper). APA is a listed energy transmission company which owns the Murraylink and Directlink electricity transmission interconnectors and substantial gas infrastructure assets.

APA understands that the Australian Pipeline Industry Association (APIA) is also making a submission to the Issues Paper. APA strongly endorses this APIA submission.

General Principles Related to Planning

APA has several broad concerns about the proposed National Transmission Planning Arrangements including;

- the potential that a plan may reduce market and competitive pressures, such that planned outcomes may be viewed as preferable to market outcomes. In particular, as the role of gas fired generation increases, electricity transmission and gas transmission assets may become substitutable in some instances. In these instances competitive solutions are preferable to planned solutions;
- the possibility that policy makers and regulators will reference the plan rather than what is actually occurring in the market when making policy and regulatory decisions. While it may be appropriate for the regulator to have regard to the plan in considering revenue proposals, the information and recommendations of the plan should not be binding on the regulator, and transmission service providers should be able and encouraged to put forward alternate options and solutions which differ to the plan if they are appropriate;



- the possibility that the planning process and functions become involved in intra-network planning rather than inter-network co-ordination and linkages. Inter network planning is an issue for the individual transmission network;
- the possibility that publication of the plans may disclose revenue or price forecasts beyond those which are already public or may disclose other confidential or contractual positions Processes relating to confidentiality of information collected and disseminated and the status of forecasts should be developed. This is likely to become more important as ASX-listed companies and other non-government organisations continue to invest in transmission infrastructure and the energy industry becomes increasingly competitive.

The concerns above may be addressed by adopting a position where:

- the plan presents multiple options rather than a single preferred option;
- the plan focuses on providing information to facilitate efficient market outcomes rather than a detailed focus on inter-network co-ordination and linkages; and
- there is no enforceable obligation to meet the plan, particularly if other solutions can be found to address the issues raised.

In addition, several specific issues arising in the Issues Paper are discussed below.

Alignment of Regulatory Timetables

The Issues Paper, particularly chapter 5, continues to raise the issue of aligning timetables for the regulatory determination of transmission revenue. The Issues Paper (p169) acknowledges that there is little support for aligning regulatory timetables but seeks to provide another opportunity for stakeholders to comment on this issue.

APA continues to believe that the costs of aligning the transmission revenue determination timetable outweigh any benefits which may arise. There does not appear to be any new evidence or considerations which demonstrate that the benefits do in fact outweigh the costs.

However, if a single timetable is adopted the Murraylink and Directlink interconnectors should be explicitly recognised. The Issues Paper (p 63) contains a possible transitional timetable to allow a move towards simultaneous regulatory revenue reviews by 2019. This timetable does not refer to the Murraylink and Directlink interconnectors. If a timetable is to be further developed APA seeks that that the Murraylink and Directlink interconnectors be explicitly included.

Gas Industry Funding

The Issues Paper (p82) also raises the issue of whether gas market participants should contribute to the National Transmission Planners costs. As the National Transmission Planner is only intended to deal with electricity transmission the costs should be borne by the electricity industry and consumers, who are the intended beneficiaries of the



functions performed by the planner. Any funding by the gas industry would be a cross-subsidy, and consequently it would be inappropriate.

APA would welcome the opportunity to comment on further AEMC papers on this topic.

Yours Faithfully

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