



EnergyAustralia

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Australian Energy Market Commission

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Dear Commissioners

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Transmission Connection and Planning Arrangements, Consultation Paper, 26 November 2015

EnergyAustralia is one of Australia's largest energy companies with over 2.5 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own and operate a multi-billion dollar energy generation portfolio across Australia, including coal, gas, and wind assets with control of over 4,500MW of generation in the National Electricity Market.

We support the rule change proposal but believe it does not go far enough. The findings of the Transmission Frameworks Review (TFR) and recommendations in terms of connection arrangements and planning processes are well considered and appropriate, and therefore there is a sound basis for the proposed rule amendments.

Clarifying the rules and strengthening the negotiating frameworks for new transmission connections is important for timely and efficient agreements with a monopoly provider. This rule change will benefit consumers by increasing development options and lowering costs for new entry generation. However we believe that the contestability in the provision of shared network services could be improved further by allowing third-parties who own assets to also provide maintenance and operation services for them.

The proposed rule change brings welcome improvements in terms of planning, greater transparency, coordination and national consistency, especially for inter-regional planning, which will help to ensure sub-optimal investment is minimised across the NEM.

There are two issues we recommend that the AEMC consider and consult further on.

Greater contestability in the provision of shared network assets

We support the introduction of contestability into shared network asset construction, financing and ownership. These represent a significant portion of connection costs and have the potential to be reduced through allowing competition by third party providers. However the viability of increased competition appears limited due to the responsibility for commissioning, maintenance, and operation remaining with the incumbent Transmission

Network Service Provider (TNSP). Further movement towards a services model¹ over an asset-based model would be advantageous. This would allow third parties to compete with integrated services as monopoly providers do currently.

The construction, financing and ownership aspects of a project are unlikely to be viable without control over maintenance and commissioning as well. Although arrangements could be made through a negotiated contract, this could lead to inefficient solutions. Construction, ownership, commissioning, operation, and maintenance should ideally lie with the same party to appropriately balance risks and their mitigation (especially in terms of manufacturer warranties, etc.) and therefore maximise benefits from competition.

Accountability for the availability of a transmission service (and associated incentives) really should reside with the owner. The proposed rule will only introduce an alternative to current arrangements in terms of financing shared network assets, and the construction aspect, specifically excluding commissioning. A step in the right direction, but a small step.

Dedicated connection and balance-of-plant assets are already open to full contestability for construction, ownership, operation, and maintenance. The extension of this approach to the shared assets will introduce economies of scale and allow for an integrated maintenance program. This would further increase the viability of third-party competition and generally reduce the total life-cycle cost of new connections. Interface arrangements between different asset owners providing shared network services have been proven to work in Victoria.

Load and DNSP connections

Similar arrangements should apply across generation, load and Distribution Network Service Provider (DNSP) connections where possible. It is appropriate to apply the "identified user shared asset" and "dedicated connection assets" and associated service classifications to both load and DNSP's connecting to the transmission network.

Cost reflective connection charges will encourage efficient location decisions though direct costs to connecting parties and through costs passed on to load and embedded generation by their DNSP.

If you would like to discuss this submission, please contact me on (03) 8628 4518.

Regards



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¹ As per the Victorian Declared Transmission System Operators (DTSO) approach