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ABN 19 622 755 774

201 Elizabeth Street (cnr Park St)
PO Box A1000 Sydney South
New South Wales 1235 Australia
Facsimile (02) 9284 3456
Telephone (02) 9284 3000
Web <http://www.transgrid.com.au>
DX1122 SydneyDr John Tamblyn
Commissioner
Australian Energy Market Commission
PO Box A2449
Sydney South
NSW 1235

Dear Dr Tamblyn

AEMC NATIONAL TRANSMISSION PLANNER (NTP) REVIEW

I refer to a Scoping Paper on the above topic, issued by the AEMC on 3rd August 2007 that sought comments from relevant parties on the scope and content of the review.

The Electricity Transmission Network Owners Forum (ETNOF) submitted a response to the AEMC Scoping Paper on 7th September 2007. TransGrid was a participant in, and fully supports, that response. TransGrid did not provide a separate submission to the AEMC on the scope of the review as it believed the scope was defined very accurately by COAG, as re-iterated in the letter from the MCE to the AEMC dated 3rd July 2007.

Importantly, the AEMC, in its Scoping Paper, identified that the "Commission's advice is required to be consistent with COAG's response to the ERIG recommendations. The Commission's advice is not required to be consistent with the ERIG findings and recommendations".

However, following a review of submissions to the AEMC on the Scoping Paper, I now feel compelled to write to you. In particular, I am concerned about submissions that appear to be revisiting the ERIG recommendations, including those which COAG did not accept. Continuing the review along these lines has the potential to re-visit the whole ERIG enquiry, as distinct from developing and implementing a NTP in accordance with the framework set by COAG.

For example, one submission proposes that the scope of the review should consider "alternative arrangements to those specified by COAG to MCE ", particularly that which "leaves accountability for transmission investment, operation and performance with transmission service providers". This was further amplified with a planning model that has the NTP, rather than the Transmission Network Service Providers (TNSPs), carrying out the consultations and regulatory test assessments, evaluation of alternatives, and detailed cost estimates of options for individual augmentation projects.

It is plainly untenable for a TNSP to be held accountable for transmission service outcomes if another party, such as the AEMO National Transmission Planner, has compared the investment alternatives and selected the investment option. Similarly, a TNSP should not be held accountable for timely upgrades if the NTP is consuming critical paths of project lead times carrying out the above activities.

A further example of matters raised that appear outside the scope of the framework intended by COAG, is a submission which proposes the handing over particular State(s) planning functions to AEMO. While it is recognised this is an individual matter for the State(s) concerned, and, ultimately, AEMO, this should not distract the AEMC from its central task. Rather it should be seen as being a separate matter than that of establishing a NTP that is required to develop a strategic national plan which will outline the broad development of the power system.

One approach to implementing this proposal could be use of a bilateral outsourcing arrangement, which AEMO could adopt as an adjunct to, and not as an integral part of, its national transmission planning role. It would appear essential for AEMO to “ring fence” this function to ensure that the associated costs ended up in the appropriate State, rather than being distributed across the NEM.

TransGrid wishes to put on record its support for a National Transmission Planner to develop a “more strategic and nationally co-ordinated approach to transmission network development”. This is particularly so in relation to material interconnection development between NEM regions, where TransGrid has spent considerable time, and money, trying to justify major upgrades to no avail. Accordingly, it is hoped that the NTP will be able to provide a meaningful strategic framework to support this area of endeavour.

To this end, TransGrid is prepared to fully support the NTP with details of its current proposals to develop the backbone of the transmission grid in NSW. This features a \$370 million Western 500kV Conversion Project that is currently underway, and plans for a Southern 500kV link (Marulan to Kempas Creek) and a Northern 500kV link (Bayswater Newcastle).

This work will complete 500kV links supplying 70% of NSW load. As noted above, TransGrid has been unable to justify, at this time, investment to connect this 500kV grid, via interconnection upgrades, with other NEM regions. This is an example of what the NTP should be focussing on in its proposed role as a strategic national planner.

TransGrid is concerned that the above mentioned submissions, and problems that NEMMCO has anticipated in adequately resourcing a NTP, will result in confusion and delays to current plans for upgrading major transmission links in NSW, and in addressing the important work of establishing a high level, strategic, national transmission development plan.

The AEMC has established and implemented a philosophy of making any changes to the NEM design proportionate to the problem. This is reflective of the statutory test of only changing arrangements where the NEM Objective is enhanced. I encourage a continuation of this approach in the conduct of this review. I would also be pleased for TransGrid to assist the AEMC, where appropriate, in delivering an outcome from this review that meets the improvement goals set out by COAG.

Yours sincerely



K D Murray
Managing Director

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