



Roaring40s

RENEWABLE ENERGY

25 February 2009

Reference EMO 0001:1st Interim Report

Mr John Tamblyn

Chairman, Australian Energy Markets Commission

PO Box A2449

Sydney South

NSW. 1235

By email (submissions@aemc.gov.au)

Dear Dr Tamblyn,

AEMC Review of Energy Market Frameworks in the light of Climate Change Policies -1st Interim Report

Roaring 40s welcomes the opportunity to enter a submission for this review.

Roaring 40s has assessed the current electricity market design as fundamentally robust to external influences such as climate change policy, and notes that other external influences - such as substantial shifts in markets for currency, commodity prices and generating equipment - have the potential to test market design in a similar manner to climate change policy.

Roaring 40s supports the majority of conclusions of the first interim report, noting that the majority of proposed changes intend to streamline integration of low carbon generation into the existing market structure, and relate to regulatory detail rather than changes to the fundamental market framework.

Roaring 40s offers detailed the considerations on *Issue A5: Connecting of new generators to energy markets*, with a focus on ensuring workability of arrangements in the immediate future and priorities in the longer term.

1. Considerations on Option 1

Option 1 proposes a mechanism by which network companies would be able to refuse connection applications from wind farm developers based purely on the timing of the application. This would provide a mechanism by which network companies could frustrate connection of renewable generation and would counter the objective of facilitating a timely and efficient transition to a low carbon economy.

Roaring 40s Renewable Energy Pty Ltd

GPO Box 1484 | Hobart | Tasmania | 7001 | Australia

Telephone +61 3 6213 4301 | Facsimile +61 3 6213 4300

ABN 63 111 996 313

Roaring 40s notes that under the current arrangements, developers often struggle to receive fully-engaged assistance from network companies in progressing applications. This is presumably due to many network companies viewing connection of generators as a high risk/low return activity.

Rather than provide additional mechanisms for network companies to frustrate connection of new generation, Roaring 40s suggests that the review should focus on ensuring network companies have adequate incentives to progress generation connections in a timely, efficient and proactive manner with appropriately skilled resources.

2. Considerations on Options 2, 3 and 4

Roaring 40s acknowledges that situations can arise when multiple generators may apply for connection at the same point in the grid. In this case an aggregation of multiple connections may be more efficient than connection of parties separately. It is not clear that central planning or facilitation by network companies would lead to more efficient outcomes than project developers acting independently.

The incentives to cooperate increase as projects become more marginal. In situations where separate connection of smaller generators results in inefficient connection costs, there is very strong commercial pressure for smaller generators to cooperate and improve the economics of their respective projects to be competitive with more efficient projects (and hence maximise profit).

While the current arrangements for connection of remote generation to the existing transmission and distribution grids appears to provide a workable framework for efficient development by connecting parties, constraints on the backbone of the transmission system (particularly between regions) have potential to in-efficiently constrain development of high grade renewable resources in close proximity to the existing transmission in the short to medium term.

The common-carriage nature of NEM shared network access arrangements effectively preclude connecting parties from funding upgrade of the shared (back bone) network to increase transfer capabilities. This is due to other parties being able to free-ride off such investment, so preventing the funding party from gaining benefit commensurate with their investment. This suggests that the existing framework for augmentation of the backbone transmission system may not deliver the level of investment required to support wholesale roll out of renewable generation.

In a practical sense, there would appear to be large amounts of high grade wind resource in the proximity of the existing transmission network in South Australia, Tasmania and Victoria. While connection of this resource to the existing back bone network is unlikely to be problematic, transport of this

power into major load centers will be limited by transmission constraints, primarily on the interconnections.

Modeling performed by Roaring 40s suggests that limitations between central South Australia and South West New South Wales; and between southern South Australia and Victoria will impact on the ability to utilize high grade south Australian wind resource in the short to medium term. Further into the future, the ability to transport high grade Tasmanian, Victorian and South Australian wind resource north through Victoria to NSW will become a limitation. Removal of these limitations will be the most effective means of facilitating efficient role out of renewable energy in the short to medium term.

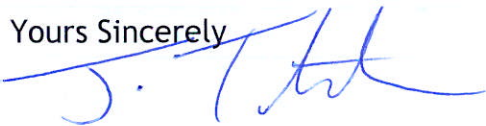
In Summary

Roaring 40s is of the view that existing market mechanisms for generation connection are robust, however arrangements for development of the backbone transmission network may result in sub-optimal outcomes in terms of facilitating efficient development of high grade renewable generation in the proximity of the existing network. In the next stage of the review, Roaring 40s suggests that the AEMC focus on the following points:

- Strengthening incentives for network companies to resource so as to efficiently and successfully progress connection applications in a timely manner; and
- Development of enhanced mechanisms to efficiently augment the backbone transmission network, particularly between states.

Due to the complex nature of the issues at hand, Roaring 40s would welcome the opportunity to discuss the matters raised in this submission in person at the appropriate time. Please do not hesitate to contact Andrew Jones (Manager Market and Regulation) on 0400 537 944 if we can assist with any of the above.

Yours Sincerely



John Titchen,
General Manager Business Development