grid australia
BACKBONE OF THE NEM

# AEMC SENE Forum

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**Rainer Korte**
**Chairman, Regulatory Managers Group**

Powerlink QUEENSLAND
TransGrid
ElectraNet electricity transmission
TRANSEND
SP AusNet A member of Singapore Power Group

# Network extensions should be commercially negotiated, where possible

- Grid Australia supports commercially negotiated market-based solutions for the development of network extensions, where possible
  - such arrangements shield customers from risk of underwriting stranded developments
  - can be completed on a more timely basis (since doesn't require regulatory process)
- These market-based solutions should not be inadvertently 'crowded-out' by a new framework
- Market-based solutions are most effective where small numbers of parties are seeking connection via a network extension (they are not generally effective in providing efficient shared transmission services)

# Need for a Rule change

- Grid Australia does not have a strong view on whether a Rule change is needed
- However, it accepts that there are potential hurdles facing coordination of multiple generator connections to capture potential transmission scale economies
- Some amendments to the existing arrangements may be needed
  - but much of the concern appears to be based on possible issues rather than hard evidence of required change
- Any change in the Rules should be proportionate, evidence based, workable and meet the NEO i.e. produce demonstrable improvements
- Changes to the Rules should complement, rather than replace or complicate, existing arrangements;
  - including the RIT-T for other investments

# Position on SENEs

- If needed, Grid Australia supports a variant of the SENE model under which extensions are treated as negotiated services and sit outside of the RIT-T process
  - similar to current connection services
  - but recognise there are practical implementation issues
- If RIT-T has a role to play, then support applying RIT-T to justify building additional capacity beyond that required by the initial connecting generator(s) who would pay their stand-alone network extension costs
  - limits the number of credible options
  - but first mover disadvantage may prevent transmission scale economies from being captured

# Grid Australia Case Study – Key Findings

- Grid Australia commissioned an illustrative application of the RIT-T to connect wind generation in Eyre Peninsula

Case study found:

- SENE alone may not pass RIT-T, where there are deeper network constraints
  - including deep augmentation in RIT-T increases net market benefit
- RIT-T outcome is highly dependent on future carbon price & impact of LRET on generation
  - uncertainty makes RIT-T analysis contentious and open to dispute

# Grid Australia Case Study – Practical Issues

- Specific location of future generation is important as well as the amount of generation forecast to be built
- Framework needs to allow for appropriate sizing – not cost efficient to size a SENE to meet 100% of the output of connecting wind generators
- Treatment of future load connecting to a SENE is uncertain
- Future links between SENE and the prescribed services shared network unclear
- Life over which SENE charges are calculated – life of the connecting generators or the longer life of the SENE assets?