



Department of
Mines and Energy

Your Reference:
Our Reference: BSU12354

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box H166
AUSTRALIA SQUARE NSW 1215

Dear Dr Tamblyn

Draft National Electricity Amendment (Transmission network replacement and reconfiguration) Rule 2006

The Department of Mines and Energy (the Department) welcomes the opportunity to provide a submission on the Draft National Electricity Amendment (Transmission network replacement and reconfiguration) Rule 2006. The Department is concerned that the draft rule has the potential to negatively affect Queensland network service providers and electricity consumers.

Stanwell Corporation Limited (Stanwell) identified a perceived problem in the national electricity market, being the risk imposed on generation businesses by transmission reconfigurations. I understand the situation with Kareeya Power Station is the first of its kind since the start of the NEM and although the impact may be material, it will be a rare occurrence. Stanwell sought a regulatory solution to this risk through the AEMC rule change process.

While Stanwell's original rule change proposal sought the application of the regulatory test to network replacement and reconfiguration, Stanwell subsequently sought to modify the rule change proposal so that it only applied to network reconfiguration and then only where it had a material impact on market participants. The Department believes that the AEMC should have limited its assessment of the draft rule proposal and subsequent decisions to the specific issue raised by Stanwell and network reconfiguration only.

It is our view that applying the full Regulatory Test to replacement and reconfiguration does not provide a solution to the essence of the problem, and instead creates a problem for Powerlink and Queensland electricity customers. Like for like replacement of aged components of the transmission system will clearly not affect participants' access to the market. Furthermore, only on rare occasions will a network reconfiguration have any impact on market participants. Applying the full Regulatory Test is therefore not an appropriate solution to the original problem raised by Stanwell.

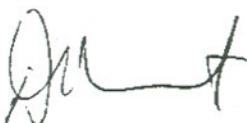
Queensland is committed to low cost reliable supply of electricity to customers. The solution offered by AEMC will impose a substantial procedural burden on Powerlink, significantly increase the time between identifying a project and completing it and increase the risk that the project will not be completed in sufficient time to maintain reliability of supply. Not only will this ultimately impose a cost on customers in Queensland and potentially reduce their reliability of supply, it will not deal with the problem raised by Stanwell.

Stanwell proposed a limited form of test confined to reconfigurations (based on their revised submission) and in consultation with "affected participants" only. That test was an integral part of their proposed overall solution. I am not aware that Stanwell, or any of those who made submissions, proposed or supported the full Regulatory Test being applied to both replacements and reconfigurations. In addition the proposed broadening of the Regulatory Test has no link into the AEMC's solution to the compensation problem, namely incorporating it in the connection agreement.

In our view, the Regulatory Test solution proposed by the AEMC is not relevant to the problem identified by Stanwell and should be removed from the final Rule. The AEMC is requested to offer a solution which deals only with the problem raised and is commensurate with the scope, frequency and materiality of the problem.

I trust this information will be of assistance in further development of the Rule. Should you wish to discuss this matter, please contact Mr Robert Wallace, Senior Policy Officer, on telephone (07) 3239 6908, or via email robert.wallace@energy.qld.gov.au.

Yours sincerely



DAN HUNT
Director-General