

21 May 2010

Dr John Tamblyn
Chairman
Australian Energy Market Commission
Level 5, 201 Elizabeth Street
Sydney NSW 2000

Via website: www.aemc.gov.au

Dear Dr Tamblyn

ENA Submission on the AEMC Rule change proposal – Scale Efficient Network Extensions – May 2010

Thank you for the opportunity to contribute to the development of the AEMC Rule change proposal – Scale Efficient Network Extensions – May 2010.

High level comments

The ENA has the following high level comments on the Consultation Paper:

1. The ENA agrees with the AEMC's identification of potential hurdles facing investment in both the transmission and distribution network to connect new areas of generation under the current framework, and supports the AEMC's objectives in addressing the issue.
2. The ENA believes that the SENE model appears overly complex in relation to the size of the problem and further work (eg a practical case study) should be carried out to explore less complex alternative solutions. Amendments to the existing market arrangements would be a preferred solution rather than the implementation of additional duplicative regulatory planning and pricing frameworks.
3. Given the complex issues associated with the development of the SENE Rule and the significant risks posed if the Rule is inappropriately designed it is extremely important that the new Rule is well-designed and beneficial to customers, generators and networks. If this means that longer or more consultation periods or case studies are necessary then the ENA supports this. This will help ensure that the objectives of the Rule change are achieved without the high costs associated with an unnecessarily complex Rule which is introduced to satisfy a limited number of new small generators.
4. There is an enormous challenge in forecasting the size, location and start up date of new generation projects. Issues such as Government incentives, planning authority approvals, changing shareholder objectives, changing shareholders, availability of capital, interest rates and competing projects all contribute to the difficulty of forecasting new generation. The time frame can vary from 1 year to 15 years or more on individual projects.

With this large range of uncertainties associated with new projects any policy should aim to minimise the risk of consumers having to provide support for stalled or cancelled projects.

Responses to Questions in the Consultation Paper

The ENA has no comment on the individual questions in the Consultation Paper.

The ENA recognises the work put into the Rule change by the AEMC and appreciates the opportunity to contribute to its development. If you have any questions please contact Jim Bain on 02 6272 1516.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'ABlyth', followed by a period.

Andrew Blyth
Chief Executive