



**INTERGEN**

InterGen (Australia) Pty Ltd  
Level 18, Comalco Place  
12 Creek Street  
BRISBANE QLD 4000  
Australia  
ABN: 71 080 050 737  
Tel: + 61-7 3001 7177  
Fax: + 61-7 3001 7178

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Mr John Pierce  
Mr Neville Henderson  
Dr Brian Spalding  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Commissioners,

**RE: EPR0019 Transmission Frameworks Review - First Interim Report**

By way of background, InterGen Australia (**InterGen**) is owned by InterGen N.V. and the China Hua Neng Group (**CHG**), China's largest generation company. InterGen and CHG are leading developers and operators of electricity generation facilities worldwide. In Australia, InterGen is the operator and majority owner of the 852MW Millmerran Power Station and a 50% owner of the 840MW Callide C Power Station.

The Australian Energy Market Commission (**AEMC**) has sought stakeholder submissions to the First Interim Report, Transmission Frameworks Review dated 17 November 2011 (**First Interim Report**). The AEMC is specifically seeking stakeholder comments regarding its proposed policy packages and ancillary enhancements to reform the transmission planning and generator connection arrangements in the context of promoting the National Electricity Objectives (**NEO**). InterGen's position is set out below.

**1. Comments on the five proposed policy packages**

Overall, InterGen is concerned the proposed options present further potential for significant change during a period of intense regulatory flux (primarily due to the Clean Energy Future package). The ability for a generator to adequately and efficiently value its need for firm network access will be extremely difficult until real experience is gained operating under these clean energy policies.

InterGen believes the current regime sufficiently promotes the NEO. Any fundamental change will create more risk and uncertainties with a greater negative impact on generation investment than the perceived problems it is seeking to resolve.

Specific comments to the proposed policy packages are set out below:

- Our recent experience with financiers highlights their concern with increasing regulatory uncertainty and its potential for high economic impact. Additional major reform at this time is problematic during a period where there are substantial base load coal plant refinancing and significant new investment to be undertaken in light of the Government's Clean Energy Future package.
- InterGen supports the removal of clause 5.4A of the Rules

Accordingly, InterGen supports Option 1 – Open Access (i.e. the status quo).

However, should the AEMC recommend proceeding further with any of the Options 3-5, InterGen requests that the AEMC recognise the potential for 'doubling up' of firm access fees where a generator has previously entered into an unregulated transmission agreement that currently operates as "open access" infrastructure. For example, the Bulli Creek to Millmerran transmission line (9903/9904) is subject to an unregulated transmission agreement between the Millmerran Power Station (MPP) and Powerlink. This agreement does not convey any priority access rights to MPP. The AEMC, in its First Interim Report, has not adequately addressed how its firm access models (Options 3-5) will operate in situations where a generator is already effectively paying for firm access although only receiving the same level of access as other generators enjoy in that region. Without specifically addressing these unregulated arrangements, the firm access models leave open the potential for affected generators to pay twice for access.

## **2. Comments on the options enhancing the existing transmission planning arrangement**

InterGen is supportive of an increased level of coordination between AEMO and the various TNSPs as well as greater transparency in the transmission planning process. However, InterGen is not supportive of options requiring substantial changes to the present planning processes. Given the volume and degree of reform currently in progress within the NEM and the high degree of regulatory risk this has produced, InterGen sees advantage in proceeding down a staged approach to the transmission planning arrangements with a subsequent review at a later stage to ascertain whether further and deeper reforms are still necessary.

On this basis, InterGen supports Option 1- Enhanced coordination of the NTNDP and APRs and Option 2 - Harmonised regime based on the South Australian arrangements as complementary initiatives. Specific comments on each of these options are presented below:

### Option 1

- One drawback of Option 1 is a potential loss of an important independent check of the TNSPs investment plans against the National Transmission Plan as currently performed in most jurisdictions. In implementing this Option, consideration of maintaining independence of this vital check is required.

### Option 2

- InterGen is supportive of a uniform approach to demand forecasting within the NEM to be undertaken by an independent and not for profit body such as AEMO. On its face value, it should remove the perception that TNSPs could be motivated to overstate demand for their own benefit as well as reducing the cost to interested parties associated with maintaining expertise in the nuances of each TNSPs planning approach.
- However, it is critical this option ensures the development of a robust and realistic set of demand forecasts. Given the importance market participants place on demand forecasts (e.g. in

investment and trading decisions), InterGen sees benefit in the increased transparency this option could provide regarding the derivation of forecasts and potentially, a greater ability for market participants to challenge their validity. Further, InterGen contends that this option also contemplate an appropriate review process that actively assesses the veracity of forecasts over time to ensure that changes in demand patterns are quickly adopted and reflected in each year's forecast. Ideally, this approach would mitigate the historical reluctance of some TNSPs to significantly revise forecasts in light of actual outturns.

InterGen is also generally supportive of the identified enhancements to the existing frameworks set out in section 11.2 of the First Interim Report. Specific comments on the enhancements are noted below:

1. Implementing a national framework for transmission network reliability standards for load; and
2. Improving the consistency of the APRs discussed above.

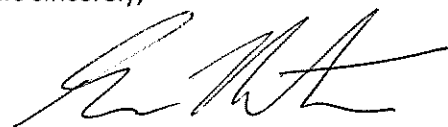
InterGen sees these enhancements as complementary to the implementation of Option 1 Enhanced coordination of the NTNDP and APRs.

3. Improving the transparency of the RIT-T. InterGen sees benefit in better understanding the wealth transfers and other effects that may result by undertaking a particular network investment under the RIT-T, especially where this impacts on network access (i.e. via congestion). Greater transparency will also assist in the general understanding of how investment in the transmission network affects the overall system and therefore can be useful in future locational decisions for new generation.
4. Aligning the revenue resets of TNSPs – Whilst InterGen can see benefit in increased network investment coordination amongst the regions and other efficiencies under this enhancement, we query the AER's current ability to undertake several rigorous regulatory reset reviews simultaneously.
5. Introducing reliability standards for interconnectors – InterGen's view is that RIT-T is the appropriate mechanism for assessing the economic case for interconnector upgrades

## Conclusion

InterGen welcomes the thoroughness of approach undertaken by the AEMC with respect to the First Interim Report and we trust that the AEMC will carefully consider the issues we have raised. Please feel free to contact Mr. Robert Pane on 07 3001 7124 regarding any queries on this submission.

Yours sincerely,



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**Sam Bristow**  
General Manager, Trading & Development  
InterGen (Australia) Pty Ltd

