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Tuesday, 19 March 2013

John Pierce, Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235
By Email

Dear Mr Pierce,

RE: Clean Energy Council response to Grid Australia Supplementary Submission on Contestability for Connections, March 2013

Once again the CEC is responding to a submission to the Transmission Frameworks Review by Grid Australia (noted above) and would like to express serious concern about the submission's premise.

In particular, Grid Australia claims that the benefits of contestability already exist and are passed through to connecting parties¹. Given that these claims are continually repeated one has to assume confidence in this position and that evidence of it can be easily provided to the Commission. This evidence would be expected to detail the efficiency of costs and subsequent charges for the provision of negotiated transmission services. Despite substantial opportunity, this particular lobby group has been unable to provide said evidence.

Conversely, the CEC understands that AEMO's previous submission has demonstrated the benefits of contestability managed outside of the negotiated transmission service regime². The CEC's submissions have also presented that the additional costs related to negotiated transmission services are in the order of 50% higher than cases where the services can be managed by a connection applicant³. In many of these cases the TNSP has engaged the same electrical contractor as the connection applicant has engaged to deliver their connection assets. Again, no TNSP has provided justification of this discrepancy to the Commission.

Further evidence of the poor performance of negotiated transmission services is clear from the strong support for the AEMO proposal from some of the NEM's largest generation stakeholders, even those who have had less than ideal experiences with AEMO in the past.

¹ p-p. 7-9.

² AEMO, *Submission to the AEMC Second Interim Report – Transmission Frameworks Review, 19 October 2012*, confidential detail, p. 22.

³ CEC, *Submission to the Second Interim Report on Connections*, p. 15.

This overwhelming support should clearly demonstrate that it is extremely unlikely that these generators have received any cited benefits from contestable processes under the current negotiated transmission services regime.

The CEC is somewhat bemused by the continued rejection of enhanced connection applicant management of contestable processes. Repeated claims are that TNSPs are capable of delivering the most efficient outcomes with the use of contestable processes. If TNSPs do indeed have this natural advantage they should welcome a competitive framework within which they can access unregulated revenues with little contest. However, since only strong opposition has been evident the logical conclusion is that TNSPs stand to make significant losses through changes to the current negotiated transmission services regime.

The CEC also notes on the matter of national consistency, that the legal advice supporting our previous submission to this review clearly demonstrated how Grid Australia's Connections Configuration Guidelines are inconsistent with the National Electricity Rules^{4,5}. It would appear that 'national consistency' as cited in the submission⁶ implies consistency amongst TNSPs, in the absence of consistency with the rules to which their licences commit them.

Given these facts, and the extremely strong support for enhanced access to contestable processes through the Commission's consultation on this matter, the Commission should be able to identify that the evidence points to advancement of the NEO through allowing connection applicants to manage all contestable components of a connection.

The Commission should now include a final report recommendation for the development of a framework which restricts incumbent TNSP participation in the delivery and ownership of network assets for new connections. Substance has not been given to the counter claim that the benefits are limited.

Once again the CEC thanks the Commission for the opportunity to make this late submission and encourages the Commission staff to contact the undersigned for any relevant queries.

Yours sincerely,



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⁴ CEC, *Submission to the Second Interim Report on Connections, Legal Advice Attachment*.

⁵ CEC, *Submission to the Second Interim Report on Connections*, p-p 18-21.

⁶ p. 6.