

29 September 2010

Mr John Pierce
Chairman
Australian Energy Markets Commission
PO Box A2449
Sydney South NSW 1235

Via website: www.aemc.gov.au

Ref: Project No. EPR0019

Dear Mr Pierce

ENA Submission on the AEMC Issues Paper - Transmission Frameworks Review

The Energy Networks Association (ENA) welcomes the opportunity to provide a response to the AEMC Issues Paper – Transmission Frameworks Review

General Comments

The ENA has the following general comments on the Issues Paper:

The ENA agrees that there will be significant challenges in terms of the connection and retirement of large scale new generation in the NEM in the next decade, however we question whether conducting a wide ranging transmission frameworks review is required at this time.

There have been several significant changes made recently in the frameworks affecting electricity transmission including the economic regulatory frameworks and those affecting planning. For example, initiatives have been introduced recently including the Regulatory Investment Test for Transmission (RIT-T), the establishment of the National Transmission Planner (NTP) and the proposed Scale Efficient Network Extension (SENE) rule change and there has not been sufficient time to determine the effectiveness of these initiatives. It is therefore very difficult to develop future transmission framework changes at this time and to form a view as to whether those changes would be likely to result in optimal outcomes for the NEM.

The Issues Paper focuses on electricity transmission and the competitive sectors of the market, including both generators and load customers. It does not specifically recognise distribution network service providers (DNSPs) and in particular the role of DNSPs in terms of providing network and connection services between transmission and load customers. This includes the role of DNSPs as the immediate receiver of transmission services and the fact that DNSPs are responsible for the payment of transmission charges to TNSPs and the passing through of those charges to customers. To the extent that any changes in transmission frameworks may have flow on effects to distribution, these should be considered as part of the review.

The current pricing arrangements for prescribed transmission services do not allow for the costs of shared transmission network assets to be recovered from generators. Whilst generators pay charges associated with their immediate connection costs to the shared network, the deeper network augmentation costs are recovered by network users. The ENA supports in principle the introduction of locational network costs for generators in order to promote overall market efficiency in accordance with the National Electricity Objective. The ENA supports the AEMC's assertion that 'the lack of price signals means that appropriate trade-offs between the costs of transmission and the costs of generation (potentially including the costs of alternatives such as gas pipeline costs) are not made. In the absence of adequate locational cost signals at the time investment decisions are made, generators will establish in locations that minimise generator costs and this will lead to higher overall costs in the NEM. In terms of the potential options for amending the transmission charging framework, for example by implementing use of system charges or 'deep' connection charges, the ENA does not have a firm view on the relative merits of these options. However, the ENA recognises that there will be practical issues in developing and implementing any new initiatives.

In terms of the concept of transmission providing enhanced services to generators or load, the ENA's view is that TNSPs cannot practically provide unique services to generators using the shared network infrastructure. Given that transmission does not control generator dispatch, it would not be practical or reasonable for a TNSP to provide an enhanced level of service to any particular party as it may have the impact of restricting access to, or capacity for, another party. However, for dedicated connection assets, loads and generators already have the ability to negotiate enhanced levels of service in terms of capacity or redundancy in relation to specific connection assets.

Regarding the transmission planning frameworks, the ENA notes that the Issues Paper does not include any reference to the multiparty network planning and information sharing activities that take place between TNSPs and DNSPs and the importance of this joint planning in terms of ensuring that a TNSP's response to load projections or other network imperatives, including demand side response measures, can be met. Furthermore, the creation of the role of the NTP and the requirement for a National Transmission Network Development Plan (NTNDP) are recent initiatives and there has been insufficient time to determine the effectiveness of these initiatives. In addition to the above points, a significant barrier to aligning planning for new transmission with generation is the timeliness of information provided by generators to TNSPs during their planning process.

The ENA has no additional comments on the specific questions in the Issues Paper.

The ENA appreciates the opportunity to be represented on the stakeholder consultative committee for this project. If you have any questions, please contact Dale Weber on 02 6272 1515.

Yours sincerely



Andrew Blyth
Chief Executive