



27 January 2012

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Sirs,

Submission to Transmission Frameworks Review First Interim Report

Thank you for the opportunity to participate in the AEMC's review of Transmission Frameworks.

ERM advocates a need for change and finds itself aligned with International Power's suggestion that a clearer statement in the current Rules and the National Electricity Objective (NEO) that underpins the Rules, to protect the access arrangements of existing generators against changes by access arrangements offered to new generators, is fundamental, although there is a clear over-reach that might be implied, as the absence of constraints beyond the point of firm connection to the main grid was never guaranteed every hour of every day forever.

The situation at ERM's Oakey power station provides a good example of the problem for generators. Oakey Power Holdings paid to connect to Tangkam substation including the upgrading of the substation and the reconstruction of the Tangkam to Middle Ridge 110kV transmission lines sufficient for the dispatch of the 300 MW firm capability which Oakey was contracted to provide. This work was completed prior to commercial operation in January 2000. In December 2006 the 30MW Daandine non-scheduled generator was given open access rights to the grid from a location behind the Oakey power station, at no charge for the enhanced connection capability from Tangkam to Middle Ridge. This reduced the firm dispatch capability of the power station by 30 MW or 10% of its contracted dispatch. As ERM paid for the lateral connection from a point on the main grid to the proposed and eventual location of the Oakey power station it should have had firm rights to rely on the transmission capability of the connection it paid for while not having any firm transmission rights beyond Middle Ridge.

ERM considers Package 2 would be unfair to existing generators and not conducive to rational new base-load, intermediate, or reliable peak generation investment. This alternative only reinforces the "free ride" that non-scheduled generators and renewable generation would be offered at the expense of existing generators and at the peril of any prospective new scheduled generator developer.

ERM contends that the principles of Package 3 that would involve the establishment of generator reliability standards for TNSP's go to the very good point of putting definition behind the reasonable assumptions of a new generator as to its future dispatchability when added to the then existing network and existing generators, and will most likely involve greater outlay by new generators to pay for the reinforcement of shared network beyond its point of connection to the existing power grid, as this would really be reinforcing the implicit NEO with the new generator paying for a level of access certainty. An existing generation

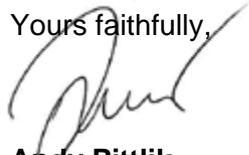
investor could expect that its level of reliable dispatch would not be compromised by a subsequent new generator gaining access to the power grid in circumstances where the original generator's dispatch expectation would be diminished.

ERM sees merit in combining Package 4 with Package 3 to include the concept of automatic compensation from the TNSP if it does not deliver the access defined, so long as there is no suggestion that existing generators should suddenly make a payment, nor an assumption that access through the shared network of the grid would be available every hour of every day.

In respect to Package 5, ERM does not believe that this would provide a productive outcome and not least because it would certainly be a barrier to new entrant generators.

As a final point ERM concurs with the concerns expressed around the implementation of GTUOS and has firsthand experience at the open-ended exposure to significant changes in costs on invested power generation businesses in the WEM.

Yours faithfully,



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ERM Power Limited