



2 June 2011

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

Via website: [www.aemc.gov.au](http://www.aemc.gov.au)

Ref: Project No. EPR0019

Dear Mr Pierce

### **Response to AEMC Directions Paper - Transmission Frameworks Review**

The Energy Networks Association (ENA) welcomes the opportunity to provide a response to the Australian Energy Market Commission's Directions Paper for the Transmission Frameworks Review.

#### **Comments**

The ENA generally agrees that the Commission has identified the appropriate issues for further review and that the proposed directions to address these issues represent an appropriate approach going forward.

The ENA agrees that an assessment of the role of transmission would be more meaningful if undertaken in combination with a more detailed examination of the key areas of transmission frameworks. In other words, the role of transmission will be an outcome of the detailed work undertaken in the review.

The lack of national reliability standards for transmission in the NEM is an on-going issue. ENA supports the Commission's view that further consideration should be given to the development of a transmission reliability standard for generation. However, any increase in costs associated with an enhanced level of service to generation should be recovered from the parties that benefit from such improvements in service levels.

In terms of transmission planning, ENA reiterates the views expressed in our submission of 29 September 2010 that there is no reference to the joint network planning 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 National Transmission Planner (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.

ENA agrees that it would be beneficial to clarify the Rules relating to connections and in particular the lack of national consistency in the application of connection arrangements. ENA also proposes that the Commission be mindful of the need to retain and improve consistency between the transmission and

distribution frameworks. In the event that significant changes arise from the review of transmission frameworks, harmonised changes may be required to the distribution frameworks, having regard to the fundamental differences in scale and scope between transmission and distribution businesses. Elements of the framework such as the negotiating framework, connection enquiries and contestability of works should be considered in this context.

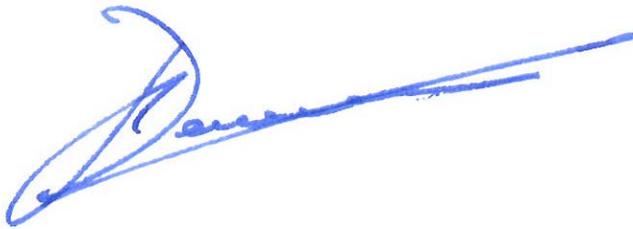
In terms of transmission network charging, ENA supports the areas for further consideration identified by the Commission including costs imposed by generators under current frameworks, the impacts of changes to generator access arrangements, and transmission charging for load -particularly transmission charging applied to Distribution Networks Service Providers (DNSPs). Transmission network charges should provide appropriate locational pricing signals for both generation and load. However, under the current arrangements a high proportion of costs are allocated to DNSPs on a postage stamp basis (up to 70% in some cases). ENA therefore supports the Commission's view that further consideration be given to the split between locational and non-locational transmission charges.

ENA agrees with the Commission's current view that if locational price signals for generation are provided through transmission pricing methodologies, then there may (will) be consequential impacts for the charging of load and that these pricing impacts will need to be explored further in the review.

In conclusion, ENA supports the overall approach that the Commission has proposed to conduct the transmission frameworks review.

If you have any questions, please contact Dale Weber on (02) 6272 1515.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'John Devereaux', written in a cursive style.

John Devereaux  
**Chief Executive**