

POWERLINK QUEENSLAND

AEMC Review of the Electricity Transmission Revenue and Pricing Rules

Transmission Pricing: Issues Paper

23 December 2005



1. INTRODUCTION

Powerlink provides this response to the AEMC's Transmission Pricing Issues Paper published on November 2005 as part of the Review of the Electricity Transmission Revenue and Pricing Rules.

Powerlink has also contributed a joint submission by the Transmission Network Owners¹ (TNOs) in response to the AEMC's Transmission Pricing Issues Paper.

This submission contains comments on the approach to the review and on the selected questions, which are in addition to the TNOs joint submission.

2. Approach to the Review

We note that when the AEMC makes Rules in relation to both transmission revenue and pricing, it must meet the requirements under S35 of the National Electricity Law in providing 'a reasonable opportunity for a regulated transmission system operator to recover the efficient costs of complying with a regulatory obligation'. Powerlink as a Transmission Network Service Provider (TNSP) must be able to recover its revenue cap through transmission pricing irrespective of the methodology adopted.

We support the current transmission pricing arrangements, which are a result of extensive consultation and rigorous debate. The arrangements, including the high level of prescription, provide certainty, consistency and clarity for TNSPs and customers. Powerlink suggests that the current transmission pricing arrangements should remain, unless the AEMC in its Rule making determination can demonstrate material net benefits from an alternative arrangement.

3. Answers to Selected Questions

Whilst Powerlink is a contributor to the joint response to the AEMC's Transmission Pricing Issues Paper by the TNOs, this section contains Powerlink's responses to the selected questions that have particular relevance.

¹ Electranet Pty Limited, Powerlink Queensland, SP AusNet, Transend Networks Pty Ltd, and TransGrid



Diagram on page 20

Powerlink considers that the diagram is incomplete. Grid support payments are not discreetly shown and are currently recovered under the Customer General Charge, which means that the cost of any Grid Support is “smeared” across the pricing region. An alternative approach that the AEMC may wish to consider would be to localise the costs of Grid Support, by, for instance, recovering it via the Customer Usage Charge.

Q14-16 and 33-35. TUOS Rebates

Powerlink notes that the TUOS rebates principle and concept was discussed at length at the last transmission pricing review conducted by NECA and the ACCC. A compromise arrangement was reached by the ACCC, where embedded generators receive Avoided TUOS as acknowledgement that they defer transmission investment in general rather than consideration on a specific case-by-case basis. It was recognised by the ACCC at the time that some embedded generators would be over compensated while others would be under compensated, but on balance, the current Avoided TUOS regime is an administratively simple way to compensate embedded generators for the general deferral of transmission investment.

Powerlink notes that under the current arrangement, there may be some opportunity for double dipping by an embedded generator negotiating both grid support payment with a TNSP as well as negotiating Avoided TUOS payments with a Distribution Network Service Provider (DNSP). Under the Regulatory Test, TNSPs are required to consider non-network solutions which may be able to defer network investment. An embedded generator may be able to contribute to such a deferral and as such be able to negotiate grid support payments from the TNSP. However, the embedded generator may also be eligible for and receive Avoided TUOS rebate from the DNSP. The incentive to offer both is evident as grid support payments for deferral of a specific investment are generally greater than the income from Avoided TUOS. Powerlink recommends that any grid support payment should be required to be offset by Avoided TUOS rebates, to avoid double dipping.

Q40-44. Pricing for Non-prescribed Services

Powerlink’s assessment of the arrangements for the pricing of non-prescribed services is that the current arrangements work well. Powerlink has made many connection asset investments outside the AARR revenue cap. Our experience is that the negotiated connection outcomes have been commercially satisfactory for all concerned. Unlike regulated connections, the TNSP can price all risks and negotiate bespoke commercial outcomes such as liquidated damages or performance incentives to meet compressed timelines or other customer needs.



Q45-52. Inter-regional Pricing

Powerlink supports cost reflective inter-regional pricing arrangements, where customers in adjacent regions are charged for their cost of shared infrastructure in adjoining regions. There are a number of alternatives for the inter-regional pricing structure, viz:

- the inter-regional settlement residues could be re-distributed based on inter-regional flows (this would be the simplest to administer but has the complexity that in the short run, the owners of future revenue streams associated with NEMMCO SRA auctions would need to be compensated); or
- a multi-regional Tprice model taking into account the asset values and load flows across the NEM, could be used to determine the revenue transfer between regions; or
- a combination and variation of the above alternatives.

If inter-regional transmission pricing is a concern to jurisdictions, perhaps policy guidance could be sought from the Ministerial Council on Energy.

