



29 June 2016

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

By email: submissions@aemc.gov.au

Dear Mr Pierce

**ERC0192: Transmission Connection and Planning Arrangements
Discussion Paper**

Transmission General Holdings (Australia) Pty Ltd (**TGHA**) welcomes the opportunity to respond to the Australian Energy Market Commission's (**AEMC**) discussion paper relating to transmission connection and planning arrangements.

TGHA is a Transmission Network Service Provider (**TNSP**) providing competition in the provision of transmission connection services. TGHA has provided a commercial alternative to the incumbent TNSP in Victoria, and delivered cost efficient and reliable transmission services resulting in cost savings for our customers. The success of the current Victorian contestability model demonstrates that the provision of a competitive environment is in the long term interests of consumers.

Background

TGHA is the parent company of two subsidiaries that have been contracted to build, own and operate contestable transmission connections in Victoria. TGHA encompasses Transmission Operations (Australia) Pty Ltd (**TOA**), and Transmission Operations (Australia) 2 Pty Ltd (**TOA2**).

TOA constructed, owns, operates and maintains the connection for the Mt Mercer Wind Farm which was commissioned in late 2013. The connection involved the establishment of the Elaine Terminal Station and a 132kV power line from the windfarm to the terminal station. The transmission connection of the Mt Mercer wind farm was constructed on time and is operating with a very high level of reliability.

In 2014, the Mt Mercer Wind Farm achieved full operational capacity allowing TOA to transmit 415GWh of electricity. TOA received a high commendation award from the Australian Institute of Project Management for the Elaine Terminal Station project.

TOA2 constructed, owns, will operate and maintain the connection for the Ararat Wind Farm, which is being commissioned. The connection involved the establishment of the Ararat Terminal Station and a 132kV power line from the windfarm to the terminal station. The transmission connection has been constructed within the required tight timeframes.

Support increased contestability with TNSP accountability (model B)

TGHA strongly supports model B, as it effectively replicates the existing arrangements in Victoria which is operating successfully in creating a competitive environment for the provision of transmission connections. This is demonstrated by a number of declared TNSP's, including TOA and TOA2, successfully providing transmission connections for generators and loads. The success of these arrangements has been acknowledged by the Australian Energy Market Operator (**AEMO**) and AusNet Services in their submissions to the AEMC.

Model B allows contractual arrangements to ensure provision of services to the required level, and the appropriate allocation of risk. Importantly, model B allows the TNSP to be in full control of the management of the connection assets over their commercial life.

The overall cost effectiveness of providing the required level of network safety, reliability and security over the life of network assets is only achieved by optimising the combination of **all** asset management elements which includes operation and maintenance as well as the design and construction. Accordingly a single party should be responsible and accountable for the all facets of managing the asset.

The allocation of liabilities associated with the failure of identified user shared assets to deliver the required network safety, reliability and security, must not be ambiguous. If the responsibility for some elements of asset management (i.e. design and construction) is different to the responsibility for other elements (i.e. operation and maintenance), the allocation of liabilities associated with the service provision of the network assets is likely to be unclear leading to disputes. Such ambiguity in the allocation of liabilities associated with service provision would cause significant risks to the return on an investment. This would increase the costs of funds and could threaten the viability of the investment. In addition, the ambiguity in allocation of liabilities would prevent the procurement of cost effective insurance.

Dedicated connection assets should not be transitioned to the shared network

TGHA strongly disagrees with the proposal that dedicated connection assets could be transitioned to the shared network in the following circumstances:

- where a distributor connects to the dedicated connection asset; or
- where a TNSP is augmenting the existing shared network to facilitate additional capacity, and the most efficient option would be to utilise the dedicated connection asset.

TGHA is concerned that the risk that an asset could be transitioned to the shared network will reduce certainty for financiers, and thus increase costs or limit financing options to competitive TNSPs.

Instead, TGHA considers that dedicated connection assets could be treated as a non-network option in any augmentation or connection assessment by TNSPs or distributors. That is, if the option that maximises the net economic benefit to address an identified need is to utilise a dedicated connection asset, then the distributor or TNSP could enter into commercial negotiations with the asset owner.

The commercial negotiations may involve for example a lease for capacity, or shared use of a pole, between the TNSP and the asset owner. The arrangement could be entered into for the remaining life of the contract between the asset owner and the original connection applicant. Such an approach would allow the asset owner to maintain obligations in respect to the safety, reliability and security of the connection, while also honouring the contractual terms and conditions with the original connection applicant.

Transparency requirements

TGHA does not support the proposed transparency requirements. If model B is implemented, incentives will exist to provide the required information to the connecting party.

We do not consider that there is any benefit to connection applicants from the publication of generic information such as design standards and philosophies. Many of the proposed information requirements indicate a standard approach for the connection, which could limit innovation.

It is also noted that location specific requirements would need to be determined for most connections, so generic information on a TNSP's website would provide little value to customers or potential customers. Instead, it will impose additional costs on the incumbent TNSP through provision and maintaining currency of the information, where such additional costs are borne by all regulated customers.

Other matters

TGHA also notes the following:

- support for the rule change applying to load as well as generator connections;
- support for the proposed distinction between identified user shared assets and dedicated connection assets. We believe that the definitions can be applied consistently to connections requiring a new substation or an existing substation;
- in supporting model B, TGHA agrees that the National Electricity Rules (**NER**) will need to be amended in order for the connecting party to have all service aspects

relating to identified user shared assets, with the exception of setting the functional specification and providing cut-in works (which will need to be defined), to be provided contestably; and

- we do not consider that the adoption of model B would require significant changes to be made to the Victorian arrangements.

If you have any questions in relation to this submission, please contact Elizabeth Carlile on 03 9683 4886 at first instance.

Yours sincerely

A handwritten signature in blue ink, appearing to read "E R Lindner".

Eric Lindner
Chief Executive Officer