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Dear Mr Pierce

Thank you for the opportunity to comment on the Australian Energy Market Commission's (AEMC) *Scale Efficient Network Extensions (SENE) Rule Change Options Paper*.

The South Australian Government considers that the introduction of the SENE framework will be a significant addition to the National Electricity Market (NEM) and a key strategic step toward the goal of providing the market with a framework to allow greater efficiency in the connection of multiple generators in proximate locations over time.

The increased entry of renewable generation in the market, particularly wind energy and the potential future inclusion of geothermal have highlighted weaknesses in the network connections framework.

In reviewing the options proposed, it is important that the SENE framework promotes the National Electricity Objective by providing efficient connection of multiple generators to the shared network over time, thereby avoiding inefficient duplication of connection assets while minimising the risks to consumers.

In acknowledging the various options proposed, I consider that the following high level principles should guide the AEMC in developing the SENE Rule Change to address the Ministerial Council on Energy's (MCE) original request.

In order to minimise the stranded asset risks to consumers in the event that generators do not materialise in a timely manner, the application of a bounded Regulatory Investment Test – Transmission (RIT-T) assessment for the incremental capacity over and above the requirements of the first generator(s) connection should be undertaken. A more expedient process for the application of the RIT-T would alleviate any potential concerns regarding any greater complexity being introduced.

To further mitigate the asset stranding risk a minimum threshold level of firm commitment towards the total capital cost from generators should be established prior to the SENE asset, including any contributions previously made by consumers.

As was highlighted by participants at the industry forum the concept of firm financial access may be more appropriately dealt with in the current Transmissions Frameworks Review as it can be considered in a holistic manner across the NEM transmissions framework. The negotiated access provisions would be consistent with current arrangements for the shared network.

As outlined in the MCE Rule Change request, the regulatory oversight role identified for the Australian Energy Regulator to disallow a SENE project is an appropriate measure in order to protect the interests of consumers.

Should you wish to discuss this submission please contact Mr Vince Duffy, Executive Director of the Energy Division of the Department for Transport, Energy and Infrastructure on (08) 8204 1724.

Yours sincerely



HON PATRICK CONLON MP
MINISTER FOR ENERGY

15 November 2010