

POWERLINK QUEENSLAND

RESPONSE TO: AEMC DRAFT RULE DETERMINATION

Transmission Network Replacement and Reconfiguration

21 December 2006

Powerlink Queensland (Powerlink) is pleased to make this submission to the Australian Energy Market Commission (the Commission) in respect of the Draft National Electricity Amendment (Transmission Network Replacement and Reconfiguration) Rule 2006 (the Draft Rule).

Powerlink is a member of the Electricity Transmission Network Owners Forum (ETNOF) and supports the separate submission provided to the Commission by ETNOF. In addition to the points made by ETNOF in that submission Powerlink wishes to place the following additional information before the Commission.

In the Draft Determination on the Draft Rule the Commission noted that compensation of the type originally proposed by Stanwell Corporation should be a matter for commercial negotiation between the relevant parties. Powerlink understands that Stanwell will be submitting to the Commission a proposed framework for mandating good faith negotiations in respect of this form of compensation as part of Connection Agreements.

The appropriateness or otherwise of the type of compensation sought by Stanwell in the circumstances identified is a question of economic theory for the Commission to determine. However, should the Commission decide that the introduction of some form of mandatory compensation regime is appropriate, whether through Connection Agreements or otherwise, Powerlink would urge the Commission to consider the following matters to ensure the workability of any proposal. In particular, that the Rules:

1. Provide for TNSPs to pass through the full cost of any compensation required to be paid to generators, and that no materiality threshold apply to such applications;
2. Contain suitable transitional provisions for TNSPs who are close to, or have commenced, their revenue determination processes. These provisions would need to ensure that any requirement to include reasonable forecasts of compensation as part of an ex-ante revenue application is deferred to the subsequent revenue determination; and
3. Provide sufficient guidance and clarity to enable the quantum and form of compensation to be determined with a reasonable degree of objectivity.