

30 May 2008

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear John

Submission on the National Transmission Planning Arrangements Draft Report

Thank you for the opportunity to make this submission regarding the establishment of a new transmission planning function for the National Electricity Market (NEM). This submission is focussed on the scope and governance of the National Transmission Planner (NTP) as described in the draft report published by the AEMC on 2 May. The following issues have been indentified:

- **NTP Advisory Committee (NTP AC):**

While it is appropriate to seek to ensure that the NTP functions have suitable visibility, focus and expertise within the broader scope of the AEMO functions, this can be achieved without the establishment of a NTP AC.

- **Transition from the Annual National Transmission Statement (ANTS) to the National Transmission Network Development Plan (NTNDP):**

The NTNDP is very different to the ANTS and an appropriate framework for managing the transition from producing the last ANTS to the first NTNDP is required. After having considered the decisions and processes required to develop the first NTNDP the NEMMCO Board is of the clear view that it is not feasible to produce the first plan by December 2009. As outlined in the attached document it would be feasible to produce the first plan by December 2010.

- **Misalignment of the NTP and AEMO budget consultations;**

The consultation on the annual work plan and budget for the NTP should be aligned with the consultation on the entire AEMO budget.

- **Publication of Draft NTNDP**

The publication of a draft NTNDP by 30 September has limited value and significantly restricts the time available to the NTP to complete the analysis required to produce a NTNDP. This unnecessary consultation step should be removed.

- **Publication date for the Statement of Opportunities (SOO)**

NEMMCO agrees that the publication date for the SOO should be brought forward from October once the ANTS is replaced by the NTNDP. It is recommended that the new publication date be specified as August 30 to ensure a high quality document is produced.

- **Clarification of drafting:**

Some elements of the proposed changes to the National Electricity Law (NEL) and National Electricity Rules (NER) require further clarification.

Our submission consists of this covering letter, Attachment 1 containing detailed responses in the areas listed above and Attachment 2 providing a feasible plan to deliver workable transition from the last ANTS to the first NTNDP by December 2010.

For further details regarding any of the matters raised in this submission please contact David Bones on 07 3347 3041.

Yours sincerely


Brian Spalding
Chief Operating Officer

Enc. Attachment 1 & 2

Attachment 1

NTP Advisory Committee (NTP AC)

The draft report identifies that the purpose of the NTP AC is to ensure that the NTP has suitable visibility, focus and expertise within the broader scope of the AEMO functions. Proposed changes to the NEL and NER define the role and composition of the NTP AC. This approach constrains the AEMO Board in its execution of the NTP functions and locks in a rigid arrangement for 5 years.

An alternative approach would have been to make the establishment of any advisory group the responsibility of the AEMO Board. This approach has been applied successfully in the NEM with the establishment by NEMMCO of the Participant Advisory Committee¹. This approach does not distort the governance of the NTP function and provides flexibility for the structure and operation of the advisory panel to evolve as required.

The draft report clarifies that the NTP AC will be a purely advisory body and will not exercise any executive control over the NTP functions. The report also removes the requirement for the NTP AC chairman to be independent of AEMO. These changes are improvements over the arrangements proposed in the previous discussion paper.

Transition from the ANTS to the NTNDP

The NTNDP is very different to the ANTS and an appropriate framework for managing the transition from producing the last ANTS to the first NTNDP is required.

The draft report and proposed changes to the NER and NEL propose a number of milestones during 2009 as illustrated in Figure 1. These milestones attempt to achieve a publication date for the first NTNDP of 31 December 2009. Existing NEMMCO planning staff transfer to AEMO on 1 July 2009, before that time AEMO has no power system planning resources, and therefore expecting AEMO to achieve the milestones as proposed is not realistic even if preparatory work was undertaken by NEMMCO ahead of AEMO commencement.

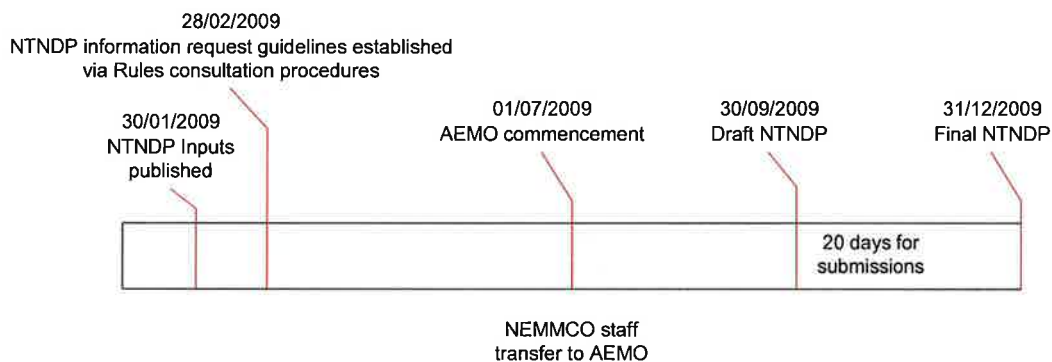


Figure 1 Timeline for 2009

¹ The terms of reference for the Participant Advisory Committee are available on the NEMMCO web site <http://www.nemmco.com.au/corporateinfo/000-0031.pdf>

To develop a workable transition framework for moving from the ANTS to the NTNDP, the first decisions that need to be made are: when the last ANTS will be produced, and when the first NTNDP will be produced. Having made these decisions a supporting framework needs to be put in place to enable a workable transition.

To illustrate this concept a feasible scenario has been developed that has the last ANTS published on 31 October 2009 and the first NTNDP published by 31 December 2010.

To achieve the date proposed by the AEMC it would require key decisions to be made over the coming months. NEMMCO does not believe that these decisions are likely to be made in a timeframe that would make the December 2009 date feasible while still developing a quality NTNDP. The feasible timeline outlined below allows decisions to be deferred until late 2008 and early 2009, and delivers the publication of the first NTNDP in 2010.

About 14 months would need to be available from the publication of the last ANTS to the publication of the first NTNDP. The significantly different scope of the ANTS and the NTNDP means that existing ANTS production processes would need to be completely reworked to produce a NTNDP, additional capabilities and resources must also be developed. Even so it is unlikely that all of this can be achieved as well as producing a complete NTNDP in that 14 month period. The first NTNDP is therefore likely to be a reduced NTNDP. The first NTNDP may only consider a limited number of scenarios and would be based on limited analysis but would be sufficient to provide meaningful consultation on the next NTNDP.

Publication of Draft NTNDP

The NTNDP production process will commence each year following the conclusion of the annual consultation on the NTNDP inputs and the content of the previous NTNDP (published on 31 December). This consultation commences by 30 January each year. Allowing time for the consultation and any necessary revisions to inputs or processes, the actual analysis for the NTNDP would commence by April. Requiring a draft NTNDP to be published by 30 September unnecessarily restricts the time available for production of the NTNDP.

The NTNDP will be an important national transmission planning document. As such the production process will need to include a substantial authoring and review process similar to that currently undertaken for the SOO/ANTS. The SOO/ANTS production process allows a staged authoring and review process for each chapter covering technical, editorial, quality assurance and legal review. The volume of material contained in the SOO/ANTS requires, with the current level of resources, chapter reviews to be scheduled across 4 months (June through September). To produce a draft NTNDP by 30 September the authoring and review process would need to be commenced several months earlier which greatly restricts the time available for detailed analysis.

Given the short time between the close of the consultation on the draft NTNDP and the publication of the final NTNDP it would not be feasible for the NTP to re-work analysis to any substantive degree to address issues raised in the consultation. It is likely that most substantive issues will need to be addressed in the production of the next NTNDP. The same outcome is achieved if the issue is raised during the January consultation. The consultation on the draft NTNDP therefore appears to have little value.

Removing the requirement for the draft NTNDP extends the time available to the NTP to prepare the NTNDP by several months. This would also enhance the ability of the NTP to incorporate revisions to the process necessary to address concerns raised during the January consultation.

The January consultation provides sufficient opportunity for interested parties to comment on the content of the previous NTNDP, recommend changes and raise concerns regarding any aspect of the previous NTNDP or the proposed inputs to the coming NTNDP. Having finalised this consultation the NTP will establish the changes that need to be implemented in the coming NTNDP to address issues raised without the need for a further consultation on a draft NTNDP.

The publication of a draft NTNDP by 30 September has limited value and significantly restricts the time available to the NTP to complete the analysis required to produce a high quality NTNDP. It is recommended that this consultation step be removed.

Misalignment of the NTP and AEMO budget consultations

The proposed changes to Clause 5.6A.1 require the AEMO to consult on the NTP work plan and budget for the following financial year by 30 January. The specification of a specific date in the Rules potentially isolates the consultation on the NTP budget from the wider AEMO budgeting process.

It would be more effective and efficient to align any consultation on the NTP budget with consultation on the entire AEMO budget. It is therefore suggested that the Rules be amended to delete the specific date of 30 January and allow the AEMO discretion on the timing of the consultation on the NTP work plan and budget.

Publication date for the Statement of Opportunities (SOO)

NEMMCO agrees that the publication date for the SOO should be brought forward from October once the ANTS is replaced by the NTNDP. In choosing a new publication date it must be recognised that key input data for the SOO only becomes available at the end of May. The proposed publication date of 30 June would not allow sufficient time for NEMMCO to produce the final SOO, while maintaining the quality and utility of the document.

Jurisdictional energy and demand projections for the SOO are supplied by jurisdictional planning bodies. As all mainland regions have their peak demands in summer, the jurisdictional demand projections are produced by the end of May to allow relevant information from the most recent summer to be taken into account.

Once NEMMCO has obtained necessary input data for the SOO a rigorous process of review and analysis is undertaken to ensure high quality information is presented in the

SOO. Sales of the SOO continue to indicate a strong preference of users to have the SOO available in a hardcopy format by the publication date. Changing the publication date to 30 August would allow sufficient time to conduct the necessary reviews and produce a quality hardcopy document.

Clarification of drafting

The following areas of clarification are sought with respect to the proposed changes to the NER and NEL:

- **Specification of a particular NTNDP**

Sub-clauses to clause 5.6A need to refer to particular NTNDPs. The drafting assumes that the NTNDP for a given year will be published in the previous year. For example the NTNDP published on 31 December 2010 would be the 2011 NTNDP. This approach results in confusing drafting which could be avoided by establishing that the NTNDP published in a particular year will be the NTNDP for that year. This will allow a particular NTNDP to be referred to as the NTNDP published in a particular year.

Using this approach 5.6.1(a) would be transformed from:

By no later than 30 January each year, the *AEMO* must *publish* a document that sets out the *NTNDP inputs* that it proposes to use in the preparation of the *NTNDP* for the following year.

to

By no later than 30 January each year, the *AEMO* must *publish* a document that sets out the *NTNDP inputs* that it proposes to use in the preparation of the *NTNDP* published in that year.

This approach would be consistent with other planning documents such as the SOO and the jurisdictional Annual Planning Reports both of which have titles reflecting the year in which they are published.

- **NTPAC membership**

The draft report on page 18 indicates that no more than one employee of AEMO can be a member of the NTP AC. The proposed changes to the NEL (Division [2][3](4)) express the requirement differently, limiting the number of AEMO officers or employees on the NTP AC to one. The proposed NEL changes would mean that one AEMO Board member or an employee could be a member of the NTP AC, but not both. Is this intended?

- **Scope of NTP submissions**

The draft report (sections 2.3.4) states that NTP submissions to TNSP regulatory investment test consultations should: "*focus only on those transmission issues which impact materially on the transmission transfer capability of NTFPs*". This suggests the focus of an NTP submission will be limited to considering national transmission flow paths.

The relevant changes to the NEL (Division [1]1(e) and(2)) provide a wider scope for NTP submissions. The changes to the NEL allow NTP submissions relating to possible investment projects relating to the national transmission grid that improve the capability of the grid. By definition the national transmission grid has a broader scope than national transmission flow paths.

The relevant changes to the NEL also suggest that the NTP submissions to both the regulatory investment test consultations and AER transmission determinations should be limited to only addressing increases in capability. Augmentations can result in both reductions and increases in network capability. The proposed NEL drafting should recognise this by allowing the NTP submissions to address changes in transfer capability rather than just increases.

It is recommended that the scope of NTP submissions be clarified.

- **Inter-network Testing**

The proposed changes to Clause 5.7.7 of the Rules would alter the opportunities for Jurisdictional Planning Bodies (JPBs) to provide input on the potential impacts of the development or activity, and the draft test plan. The proposed changes also remove some of the mandatory deadlines, making the lead-times for developing inter-network test plans less certain. The following revisions to the proposed changes would address these issues.

Reinstate clause 5.7.7(f), replace the words “member of inter-regional planning committee” with “jurisdictional planning representative”, and replace the words “inter-regional planning committee” with “ each jurisdictional planning representative”.

Amend the proposed clause 5.7.7(m) by replacing the last use of the words “the AEMO” with “AEMO, each jurisdictional planning representative”.

Append to the proposed clause 5.7.7(n) the words “and submit it to the each jurisdictional planning representative”.

Reinstate clause 5.7.7(o)(2) replacing the words “the inter-regional planning committee” with “each jurisdictional planning representative”, and “NEMMCO” with “AEMO”. This revision is required to ensure timely provision of advice from each jurisdictional planning representative.

- **Inclusion of NTNDP changes in SOO update**

The proposed revisions to Clause 3.13.3(r)(2) of the Rules would require the SOO Update to include revisions to information specified in the new Clauses 5.6A.2(f)(4) and 5.6A.3(c)(ii). Clause 5.6A.2(f)(4) captures information on intra-jurisdictional developments and associated work relevant to the preparation of the NTNDP, while Clause 5.6A.3(c)(ii) captures technical network and non-network options considered in developing the NTNDP. Neither clause is relevant to the SOO and therefore should not be included in the SOO update. The content of the SOO is defined in 3.13.3(q) and the content of the SOO update should be consistent with this clause.

Attachment 2

Timeline where the last ANTS is published on 31 October 2009 and the first NTNDP published by 31 December 2010.

Figure 2 shows a timeline illustrating the deadlines for addressing various issues to achieve a publication date of 31 December 2010 for the first NTNDP. The text below the figure describes each issue and the reason for the milestone being as proposed in Figure 2.

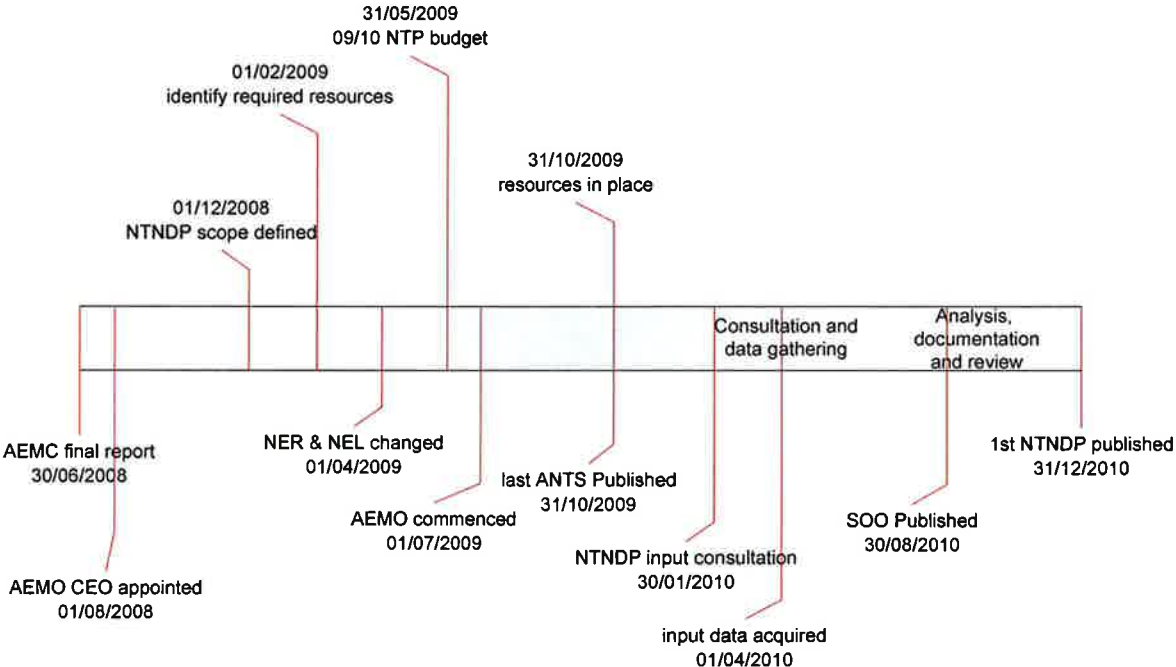


Figure 2 – Transition to NTNDP publication in 2010

The milestones described below the timeline in Figure 2 are consistent with the proposed production process for the NTNDP², the production deadline for the ANTS as currently defined in the Rules, and the expected timeframes for the establishment of AEMO. The milestones described above the timeline reflect deadlines for addressing key issues impacting the ability to achieve the publication date.

The timeline assumes that the last ANTS is published with the SOO in October 2009. This document would be published by AEMO with the bulk of the preparation of the document undertaken by NEMMCO. Establishing the AEMO Board and CEO by August 2008 will allow governance arrangements for the production of the 2009 SOO/ANTS to be established prior to production of those documents commencing in November 2008.

² The draft NTNDP has been excluded for the reasons identified in this submission.

Producing the first NTNDP will be a more challenging task than producing the last ANTS, therefore 14 months has been allowed for the 2010 NTNDP production process. The timeline assumes that following AEMO commencement in July 2009 an immediate recruitment process is undertaken to acquire the necessary additional resources. This recruitment process will supplement the planning resources within AEMO, delivering the full complement of NTNDP production resources by the end of October 2010.

The key deadlines that will need to be met to deliver sufficient NTNDP production resources include:

- Establishing the required scope, production process and publication deadlines for the NTNDP;
- Identifying the additional resources required for the 2010 NTNDP production; and
- Ensuring the 2009/10 AEMO budget is sufficient to fund the NTNDP production.

The 2009/10 budget for AEMO will need to be established prior to the AEMO commencement in July 2009. The timeline assumes a budget preparation process similar to that used currently to prepare the NEMMCO budget. This requires a budget to be available for consultation by the end of March and finalised via consultation by the end of May. The NTP costs including production costs for the 2010 NTNDP will need to be estimated by February to feed into the development of the 2009/10 AEMO budget.

The timeline shows the 2010 Statement of Opportunities being published on 30 August³. As the SOO production process runs independently but in parallel with the NTNDP production process, the opportunity for the same resources to be used in preparing both the SOO and the NTNDP is limited⁴.

Establishing the required scope of the NTP functions, production process and publication deadlines for the NTNDP by 1 December 2009 should provide sufficient lead time to estimate the NTP component of the AEMO budget. The MCE's consideration of the final report from the AEMC would need to be complete and any endorsed revisions to the NTP arrangements available by this date.

The changes to the NEL and NER necessary to allow AEMO commencement are expected to contain the provisions establishing the NTP arrangements and sufficient access to information to allow production of the NTNDP. Implementing these changes to achieve AEMO commencement by 1 July 2009 will also satisfy the deadline for establishing the required NEL and NER changes to enable production of the 2010 NTNDP.

³ It is assumed that the SOO publication date will be revised to 30 August for the reasons given in this submission.

⁴ In a similar fashion the ability to utilise VENCORP planning personnel currently required to produce the Victorian APR to produce the NTNDP may be limited.