



Major Energy Users Inc.

20 March 2019

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Provided by online lodgement

Attention: Ms Elizabeth Bowron

Dear Ms Bowron

**AER concurrent assessment for the SA Energy Transformation project
Response to Consultation Paper
ERC 00264**

The Major Energy Users (MEU) represents the interests of large electricity and gas users across the NEM and has been a consistent contributor to the deliberations of the AEMC (and NECA before that) over many years. The members of MEU are all very focused on the price for electricity, its reliability and quality and the long term security of supply.

The MEU is pleased to respond to the AEMC Consultation Paper in response to the rule change proposal to allow regulatory processes to be carried out concurrently rather than consecutively, but specifically for the RIT-T processes associated with another project¹ which was included in the AEMO Integrated System Plan (ISP) as priority group two project – the interconnection between SA and NSW (EnergyConnect and also known as Riverlink).

As the MEU commented in its response to the consultation paper for the faster tracking of the proposed QNI and VNI interconnector projects, the MEU is very concerned about the growth seen over the past decade of the massive expansions of the Regulatory Asset Base of electricity networks, in real relative terms. The MEU sees that this has been an overt incentive for investment in networks inherent in the National Electricity Rules and the way state governments have not applied strong assessments when considering reliability standards. The MEU has noted that the network owners have used the rules and lack of government rigour to lead to this situation where consumers are paying ever increasing excessive network costs for assets that at the same time have seen reducing utilisation. The MEU considers that any reduction in the

¹ The MEU already notes that upgrades of QNI and VNI have already been the focus of a similar rule change to expedite AER processes

controls limiting unnecessary network investment must be avoided to protect the long term interests of consumers.

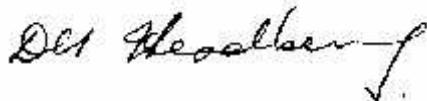
The MEU notes that the proposed rule change is to only apply for this specific (EnergyConnect) project and that the proposed rule change is different to the earlier proposed rule change to expedite the AER processes for approval of the QNI and VNI upgrades. However, what is concerning is that this new proposed rule change for the EnergyConnect project has the potential to be applied more widely for other future projects.

The MEU is opposed to changing the rules to expedite approvals of significant upgrades of the transmission network as to do so could result in commitments to significant expenditure when a more considered time frame might lead to an alternative solution. Specifically, the MEU points out that consumers are seeing the utilisation of the networks falling over time, such that for significant periods of time, consumers are funding assets that are now providing a service that consumers do not need or even use. Further, the MU points to the significant rate of change that is seen in the electricity market at the moment. As a result the MEU considers that the current rules provide time for considered assessments for new assets and that too fast a consideration of a major investment could lead to consumers paying for years into the future for assets that are not needed or have such a low utilisation factor that the benefit does not warrant the cost.

However, based on the principle that this rule change is to apply just to this project (EnergyConnect), and because the MEU sees that this project will address some basic concerns about the reliability of the electricity supply arrangements in the SA region, the MEU reluctantly supports the proposed rule change as long as it is only applied to this project and is not used as a precedent for future projects.

The MEU is happy to discuss the issues further with you if needed or if you feel that any expansion on the above comments is necessary. If so, please contact the undersigned at davidheadberry@bigpond.com or (03) 5962 3225

Yours faithfully



David Headberry
Public Officer