



Your ref: ERC0362

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James King
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Australian Energy Market Commission
Submitted online at: www.aemc.gov.au

Dear James

Submission: Harmonising the Electricity Network Planning and Investment Rules and AER Guidelines with the Updated Energy Objectives (Electricity) – Consultation Paper

CS Energy welcomes the opportunity to provide a submission in response to the Australian Energy Market Commission's (**AEMC's**) consultation paper on harmonising network economic regulation with the prospective amendments to the National Energy Objectives (**NEO**).

About CS Energy

CS Energy is a proudly Queensland-owned and based energy company that provides power to some of our state's biggest industries and employers. We employ almost 500 people who live and work in the Queensland communities where we operate. CS Energy owns and operates the Kogan Creek and Callide B coal-fired power stations and has a 50% share in the Callide C station (which it also operates). CS Energy sells electricity into the National Electricity Market (**NEM**) from these power stations, as well as electricity generated by Gladstone Power Station for which CS Energy holds the trading rights.

CS Energy also provides retail electricity services to large commercial and industrial customers throughout Queensland and has a retail joint venture with Alinta Energy to support household and small business customers in South-East Queensland.

CS Energy is creating a more diverse portfolio of energy sources as we transition to a new energy future and is committed to supporting regional Queensland through the development of clean energy hubs at our existing power system sites as part of the Queensland Energy and Jobs Plan (**QEJP**).

Key Issues

The introduction of emissions reduction into the NEO requires prudent consideration of how this change is best integrated into the AEMC's decision-making processes. Key matters to

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consider in determining how the proposed amended NEO is to be applied to network planning and investment decision-making are:

- what can be defined as a market benefit as opposed to a broader community benefit; and
- changes to the tasks Transmission Network Service Providers (**TNSPs**) must perform.

These are related matters, which it is useful to consider jointly in the context of clause 5.15A(1)(c) of the National Electricity Rules (**NER**). This clause currently provides:

The purpose of the regulatory investment test for transmission [RIT-T] in respect of its application ... is to identify the credible option that maximises the present value of net economic benefit to all those who produce, consume and transport electricity in the market (the preferred option).

Table 1 of the Rule change proposal states, with respect to cl.5.15A(1)(c), that the AEMC should consider incorporating the value of emissions reduction into the RIT-T and that the benefits of emissions reductions to be assessed in the conduct of a RIT-T might extend beyond those persons who produce, consume and transport electricity in the market. This raises a couple of questions.

First, as a market benefit test the RIT-T is intended to result in investment that maximises producer and consumer surplus at least cost. Requiring a TNSP to factor a value of emissions reduction into the conduct of a RIT-T might result in a higher cost solution being selected as the preferred option to meet a need. Higher prices then would be borne by consumers.

Second, extending the range of beneficiaries of an investment beyond direct system participants significantly increases the likely complexity of applying the RIT-T with a corresponding increase in the risk of error and potential disputes

These questions are pertinent to other aspects of the Rule change proposal.

Conclusions and recommendations

CS Energy favours a cautious and considered approach to this major reform. This approach will avoid complexities and unintended consequences that impede delivery of the results required for the energy transformation. If you would like to discuss this submission, please contact Don Woodrow, Market Policy Manager at dwoodrow@csenergy.com.au or 0407296047.

Yours sincerely



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