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Australian Energy Market Commission
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Dear Commissioners

Review of the national framework for transmission reliability

A: Introduction

Energy Australia welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) "Issues Paper" on the "Review of the national framework for transmission reliability."

We are one of Australia's largest energy companies providing gas and electricity to over 2.7 million household customers. We own and operate an integrated portfolio of energy generation and storage facilities across Australia.

We support the AEMC's efforts in developing a national framework for transmission reliability that describes and reports on electricity transmission reliability in the National Electricity Market (NEM).

We consider the development of a national approach for deriving reliability standards for load that are economically derived and expressed deterministically to be appropriate. In addition, we support the development of an approach for setting national transmission reliability standards that reflect economically efficient outcomes which take into account local conditions and the value placed on reliability by customers.

Below, we outline our responses to some key questions from the AEMC's "Issues Paper."

B: Responses to key questions

1. Are there any components of the proposed scope for the national framework for transmission reliability that should be considered out of scope?

We consider that the scope of the national framework for transmission reliability proposed by the AEMC to be appropriate. As such, we see no need to broaden the scope.

The scope of the national framework for transmission reliability developed by the AEMC should not attempt to deliver a consistent level of transmission reliability across the NEM. Rather the purpose of the framework should be to provide a nationally consistent approach to how reliability standards are developed, described and reported on.

2. Should any additional components be included in the scope of the framework?

We do not support the inclusion of any additional components in the scope of the national framework for transmission reliability framework.

3. Are the proposed principles for the transmission workstream appropriate in guiding the development of the AEMC's advice?

We consider that the proposed principles for the transmission workstream including:

- transparency
- governance
- economic efficiency
- fit for purpose &
- effectiveness

are sound principles on which to guide the development of the AEMC's advice in this review.

4. Do fixed transmission standards offer benefits in term of certainty and transparency

We consider fixed transmission standards offer benefits in term of certainty and transparency.

As such, we support a national approach for deriving reliability standards for load that are economically derived and expressed deterministically. By having fixed transmission standards at specific connection points, it provides certainty and transparency as to the level of reliability that is required to be provided by TNSPs.

Additionally, fixed transmission standards at specific connection points derived on the basis of a cost benefit assessment delivers the certainty of economically efficient transmission investment. Therefore, the value of customer reliability (VCR) at each connection point will reflect the value of customer reliability that is specific to the local conditions at each individual connection point in a transparent manner.

5. Would a five yearly review process adequately reflect changes in the costs and benefits associated with meeting reliability standards?

We have yet to see any credible evidence that suggest that the costs and benefits of meeting reliability standards will change materially in the time period between when standards are set and when resulting investments are undertaken.

Therefore, we consider that the current process of updating the VCR at different connection points on the transmission system every five years to be adequate. For this reason, we support the current system adopted in South Australia.

6. Is there merit in having a flexible approach to reliability standards under the national framework?

In the AEMC's 2008 Final Report, it was acknowledged that it might be appropriate to provide flexibility such that TNSPs could advance or defer the timing of an investment that would be needed to meet reliability standards, especially if the economics of a project had changed.

Our initial view is that that the role of reliability standards in a jurisdiction should be set as a strict compliance obligation. Thus, reliability standards would not be deemed to be a benchmark or initial screening test.

Nevertheless, Grid Australia suggests that it may be beneficial to have flexible reliability standards regime apply to TNSPs. A flexible regime would allow TNSPs to alter an investment and depart from the jurisdictional reliability standards on the basis that it would lead to more efficient transmission investment. In this regard, the AEMC "Issues paper" explores some alternative ways in which a more flexible approach to setting reliability standards could be achieved.

Whilst we consider reliability standards should be fixed over a five year term, we do not object to a further examination of the merit of Grid Australia's proposal by the AEMC. Grid Australia's proposal seeks a more flexible approach to reliability standards.

7. Should the national reference template specify categories of reliability that each connection point should be allocated to or could greater flexibility be provided for by setting out parameters to be used to define the level of reliability at each connection point?

The national reference standard template should specify categories of reliability at each connection point consistent with the SA model.

In SA, each connection point in ElectraNet's network has been allocated to one in five different categories of the reliability under the south Australian transmission reliability standards.

The level of reliability for all connection points would need to be expressed in a manner which is consistent with the national reference standard template. We consider that the template would be similar to that used in SA.

We consider that the development of national reference standard template should be developed through a separate consultation process. This should form part of the implementation of the national framework.

8. What would need to be specified in the guidelines governing the economic cost benefit assessment?

The following key items should be included in the guidelines governing the economic cost benefit assessment including:

- That the level of reliability provided at each specific connection point could not be reduced during a regulatory term consistent with the SA model
- The cost benefit analysis conducted at each connection point should include an assessment of very low probability high impact events.

9. Should a range of values around the VCR be used to assess reliability levels at connection points?

We support more refined VCRs that reflect a range of values to assess the reliability levels at each connection point.

Interrupting supply creates a cost on the transmission system. Therefore, planning transmission networks should basically promote economic efficiency and ensure that least cost options for improving the overall level of network reliability. A more refined national VCR will support this outcome.

Customer reliability will vary at different connection points on the transmission system.

Therefore, a range of values around VCR needs to be reconfigured to the following including the requirement for it to be:

- location specific
- customer type specific
- scenario specific.

10. What should the AER's role be under the national framework where a jurisdictional government has delegated responsibility for applying the framework?

We would support the AER's role in maintaining responsibility for transmission reliability standards.

The AER would be likely to increase the consistency in which the national framework was applied. This would allow the outcomes in different jurisdictions to be compared.

The standard setting role would complement the AER's current role in determining revenue allowances for TNSPs as the investment required to meet standards forms a key part of the revenue determination process.

11. Who should be responsible for setting the national template?

Given AEMO's role as the national transmission planner, we would support AEMO playing an active role in the development of the template.

If the AER is given the responsibility to set standards under the national framework, then they could approve the national reference template developed by AEMO.

12. Should the national framework include reporting on the level of reliability that is provided in practice each year as well as the reporting on the reliability standard at each connection point?

We believe that the reporting on the actual level of reliability each year at a connection point level could serve as a useful accountability mechanism under the national framework.

This process would help the AER in setting revenue allowances. In addition to this, it may prove worthwhile tool in identifying under and over investment by TNSPs.

C: Conclusion

EnergyAustralia appreciates the opportunity to make a submission on this issue. For further inquiries regarding this submission, please contact me on Tel: 03 8628-1240.

Regards

Yours sincerely

Signed for email

Con Noutso
Regulatory Manager