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Mr Ian Woodward
Chair, AEMC Reliability Panel
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Ian,

**Clarification of matter raised in the AER's submission
National Framework for Transmission Standards**

Powerlink finds it necessary to clarify a matter raised by the AER, because by omitting key details, the AER's depiction of the matter may mislead readers.

In its submission the AER stated:

"In Queensland, the requirement is "N-1 in accordance with good industry practice". Good industry practice is not defined and is open to interpretation. Further, Powerlink has planned much of its network on the assumption that the largest critical generator in a single zone is unavailable. This implies an "n-g-1" criteria which is not applied in any other state."

In reality, Powerlink applies such an approach selectively to zones where:

- (a) the zone is very "transmission-dependent" (i.e. the transmission capability is critical to maintaining reliability of supply) , AND
- (b) key elements of that local generation have material limitations (e.g. limited fuel supplies that result in periods on non-operability well beyond the normal level of forced outages)

In these circumstances, the transmission grid needs to be developed to have the capability of meeting the peak demand, even when the local generation cannot operate (e.g. due to energy limitations).

These zones are presently the SEQ load centre (gas-limited generation), southern Queensland (very large generation unit and transient stability limitations) and North Queensland (hydro and other limitations).

Subsequent proximate comments in the AER submission imply that such an approach may be too conservative.

Powerlink refutes any such suggestion, and regards its approach to these "real world" issues as prudent, as recent events have confirmed. In the context of prudent planning relating to energy-limited generation, we note that the Reliability Panel, following a request from the MCE to consider energy-limited generation in the NEM, has recently conducted a review and has consequently proposed a significant package of Rule changes for managing energy-limited generation. These proposals require NEMMCO to monitor and regularly report to the market on energy-limitations affecting generation capability, and to intervene as a Reserve Trader in circumstances where such energy-limitations are forecast to lead to a potential energy shortfall in a region.

Once codified, this will become part and parcel of "good industry practice" in the NEM.

This suggests to us that Powerlink's approach to transmission planning in situations where energy-limited generation has a potential material impact is very similar to the prudent approach adopted by the Panel.

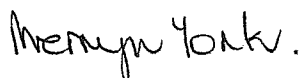
We recognize that the primary intent of the AER's submission may well have been to argue that general obligations such as "good industry practice" should be made more specific – we have no problem with such a proposition.

Our problem arises from the omission of key information in the example cited, and the potential for erroneous observations and conclusions which that creates.

What the AER's example (with its full context as outlined above), and the AER's observation that it has not sighted this approach elsewhere, does highlight is the need for a framework which has the flexibility to handle these regional differences. It also highlights the shortcomings of universal "one size fits all" standards which cannot accommodate such "real world" differences.

As noted, recent "real world" experiences have validated an approach which does accommodate those differences.

Yours sincerely,



Merryn York
MANAGER NETWORK STRATEGY AND PERFORMANCE