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17 May 2011

Mr John Pierce  
Mr Neville Henderson  
Dr Brian Spalding  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Commissioners,

**RE ERC0100: National Electricity Amendment (Scale Efficient Network Extensions) Rule 2011-Draft Rule Determination**

The Clean Energy Council (CEC) is the peak body representing Australia's clean energy and energy efficiency industries. The CEC advocates the development of policies on behalf of its members at federal, state and local government levels and promotes understanding of the industry and its potential through channels such as industry events, forums, conferences, newsletters and publications. The clean energy industry includes generation of electricity using wind, hydro, solar, biomass, geothermal and ocean energy as well as the emerging technologies and service providers in the energy efficiency sector, which includes solar hot water and cogeneration.

The CEC welcomes the opportunity to provide a response to the Australian Energy Market Commission (AEMC) Draft Determination for Scale Efficient Network Extensions (SENE) Rule 2011 originally proposed by the Ministerial Council on Energy (MCE).

While the AEMC proposed and consulted with industry on a number of options for SENE during 2010, this Draft Rule Determination proposes a new and very different option. It is also a significant departure to the MCE direction of February 2010. The CEC believes it is inappropriate for the AEMC to have made this decision without reference to the MCE. If the AEMC considers that an MCE rule-change cannot be accommodated, it should communicate this to the MCE, halt the rule change process, and await further direction from the MCE before proceeding.

The CEC supports the concept of the SENE framework. Designed appropriately it will help unlock the investment required in the transmission system to deliver the 20 percent Renewable Energy Target (RET) by 2020. However, the CEC believes that none of the SENE options presented by the AEMC will achieve this outcome.

The MCE was clear in its direction that it was appropriate for customers to underwrite some of the costs of SENEs, however the AEMC has rejected this and placed that burden upon market participants.

The CEC believes draft SENE rule is unlikely to ever be used by generators to connect to the National Electricity Market (NEM). The form of SENE proposed in the draft rule will not deal with the asset stranding risk associated with developing a SENE appropriately, placing more commercial risk on generators and making the SENE process commercially unattractive for Transmission Network Service Providers (TNSPs). The draft rule change makes the process more complicated than it already is, will not result in timely investment in new transmission lines and does not adequately address the high cost for developers of renewable energy facilities to connect to the NEM. Given these perverse outcomes the SENE draft rule should not be pursued any further. To continue on would only add further project risk to current and future developments.

To discuss our submission and answer any other questions, please contact the undersigned on (03) 9929 4100 or via email [felicity@cleanenergycouncil.org.au](mailto:felicity@cleanenergycouncil.org.au).

Yours sincerely

<original signed>

Russell Marsh  
Policy Director