

John Pierce
Chairman,
Australian Energy Market Commission
By web submission www.aemc.gov.au

Friday 3 May 2013

Dear John,

National Framework for Transition Reliability: AEMC ref EPR0028

GDF SUEZ Australian Energy (GDFSAE), formerly International Power-GDF SUEZ Australia, appreciates the opportunity to comment on the issues paper - Review of the national framework for transition reliability (issues paper). GDFSAE is wholly owned by GDF SUEZ S.A. and is a business line of GDF SUEZ Energy International.

In Australia, the company owns and operates 3,500MW (gross) of renewable, gas-fired and brown coal-fired plants in Victoria, South Australia and Western Australia. GDFSAE also includes the second tier retailer Simply Energy which has more than 300,000 electricity and gas accounts in Victoria, South Australia and New South Wales.

Set out below are our responses to the questions contained in the issues paper:

Q1: Consistency with distribution work stream of the review:

GDFSAE believes that both distribution and transmission reliability standards should be based on economically determined standards. However it is likely that the specific components that are used to derive the reliability standards would differ between distribution and transmission. It is therefore important that where appropriate, such differences in approach be suitably accommodated, whilst still maintaining overall consistency of approach.

Q2: Scope of the national frameworks for transmission reliability standards:

The scope as outlined in the issues paper seems appropriate.

Q3: Principles for the transmission work stream

The principles as outlined in the issues paper seem appropriate.

Q4: Potential benefits of fixed transmission standards

Fixed transmission reliability standards would provide greater certainty and transparency for industry participants, but potentially reduce the economic efficiency, as the costs and benefits are likely to change with time. Project by project assessment provides potentially the optimum efficiency, but is less transparent and introduces uncertainty for participants and potential investors. The tensions between these two effects should be explored more fully during the consultation process, however GDFSAE would suggest a reasonable compromise might be five yearly assessment of the standard.

GDF SUEZ Australian Energy

Level 33, Rialto South Tower, 525 Collins Street
Melbourne, Victoria 3000, Australia
Tel. +61 3 9617 8400 Fax +61 3 9617 8301

www.gdfsuezau.com

INTERNATIONAL POWER (AUSTRALIA) PTY LTD
ABN 59 092 560 793

Q5: Providing for flexibility in transmission reliability

GDFSAE agrees that there is merit in providing some flexibility in the approach to setting and applying reliability standards. This would be useful in dealing with unexpected situations or outcomes, where adhering rigidly to the standard approach would lead to significant inefficiencies. However we believe that the “materiality test” should be set quite high so as to avoid departure from the standard approach for anything other than substantive reasons. If the too much flexibility is introduced into the approach, then the intended benefits of the national framework (improved consistency and transparency) would be undermined.

Q6: Implications for the revenue determination process of a flexible approach to reliability

As per the previous question, provided that the materiality test was sufficiently high to avoid over-use of the flexibility provision, then the implications for the AER revenue determinations should be manageable.

Q7: Potential use of the contingent project mechanism

Similar to the previous two questions, GDFSAE suggest that the use of the contingent project mechanism should also be subject to a substantial materiality test to ensure that it is not over-used. The overarching objective should be that once established, the national framework should deliver transparent outcomes and not be subject to frequent contingent changes. However, some flexibility for substantial departures from expected outcomes should also be provided for.

Q8: Expression of transmission reliability standards under the national framework

GDFSAE would need to see more detailed discussion and examples on this point before being able to provide an informed opinion.

Q9: Economic cost benefit assessment process

GDFSAE suggests that caution needs to be exercised in applying low probability – high impact events in any cost benefit assessment. We would recommend that such events are included in the assessment, but with a lower weighting factor so that they do not have an undue influence on the outcome.

Q10: Use of the value of customer reliability

GDFSAE support the use of VCR values which are relevant to the particular customer category for each specific connection point. This would give a more accurate assessment of the costs and benefits relevant to each connection point. We also support providing customers with the opportunity to directly influence the trade-off between network costs and supply reliability. For example, a group of customers at a connection point may choose to accept a lower level of reliability in return for a lower network cost. The reliability standard should accommodate such situations.

Q11: Responsible body for setting standards and delegation of responsibility to a national body

GDFSAE believe that the AER should be able to both set standards as delegated responsibility for a given state, as well as monitor compliance, provided that these functions are done in a transparent manner.

Q12: Developing and approving the national reference standard template

GDFSAE suggest that responsibility for developing and approving the national reference standard could be assigned to the Reliability Panel. The Reliability Panel members would have the appropriate expertise, and his would be quite consistent with the Reliability Panels existing responsibilities regarding electricity supply reliability.

Q13: Reporting requirements

GDFSAE support annual reporting of the actual reliability level achieved compared to the standard for each connection point. We would also suggest that streamlined approaches to reporting are developed to minimise the burden associated with both the TNSPs preparation of the reports, and the industry participants in digesting the reports.

Q14: Accountability and compliance obligations

GDFSAE suggest that accountability and compliance obligations should be imposed on TNSPs to ensure that they do comply with the national standard. Such compliance obligations should be linked with the TNSP reporting requirements, as per the previous question.

Should you have any enquiries regarding this submission, please do not hesitate to contact me on 03 9617 8331.

Yours sincerely,



Chris Deague
Senior Market Specialist