



Ref. A780357

31 March, 2010

Dr John Tamblyn
Chairman
Australian Energy Market Commission
Level 5, 201 Elizabeth Street
SYDNEY NSW 2000

Dear Dr Tamblyn,

**REVIEW OF THE EFFECTIVENESS OF NEM SECURITY AND RELIABILITY
ARRANGEMENTS IN LIGHT OF EXTREME WEATHER EVENTS
– CONSULTATION PAPER**

Powerlink Queensland (Powerlink) is pleased to make this submission in response to the Consultation Paper published on 2 March 2010. The Consultation Paper provides a summary of the matters canvassed in the First and Second Interim Reports of the Review and identifies key areas for consideration in the Final Report to be provided to the MCE by 31 May 2010.

This submission sets out Powerlink's' views regarding the following issues contained in the Consultation Paper:

- whole of power system security and reliability; and
- governance arrangements.

Whole of power system security and reliability

The Consultation Paper correctly identifies that the standard of supply reliability experienced by end-users is "dependent on the adequacy of investment in all stages of the supply chain", that is generation, transmission and distribution. However, the Consultation Paper then goes on to assert that "the reliability standards that apply in each stage of the supply chain are established independently of each other, and therefore there are no explicit linkages between each stage to ensure investment across the electricity supply chain provides optimal reliability for end-users."

Powerlink disputes this second statement, so far as the interface between transmission and distribution networks is concerned. If this statement were correct then all joint planning between TNSPs and DNSPs across the NEM would have broken down due to the application of incompatible reliability standards for investment planning.

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Clearly this has not happened, and there are numerous examples of joint planning leading to least cost solutions which are a composite of upgrades to the TNSP network and to the DNSP network. In Queensland, the same deterministic (ie N-1) standards which apply to the transmission network apply to the relevant (subtransmission, distribution backbone) parts of the distribution network which interface with the transmission network.

This existing alignment of reliability standards at the transmission / distribution interface already provides for effective joint reliability planning between Powerlink and the Queensland DNSPs.

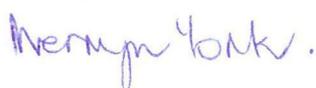
Governance Arrangements

The Consultation Paper notes that a number of changes to the governance arrangements for the setting of the reliability standard were canvassed in the Second Interim Report. These proposals included the MCE providing a Statement of Policy Principles regarding the reliability standard.

Powerlink agrees it is appropriate for the MCE to provide a Statement of Policy Principles (SPP) regarding the reliability standard. The SPP should provide guidance around the characteristics that the reliability standard should exhibit, but these should be high level principles (e.g the standards should be derived from economic considerations and expressed in a readily-understandable form) rather than prescriptive measures, and explicitly provide for separation of responsibility between the party responsible for setting the standard and those who apply the standard.

A second proposal discussed in the Consultation Paper is for the AEMC to make decisions on the standard itself, consistent with the SPP provided by the MCE, as well as the economic parameters that give effect to the standard (ie the Market Price Cap, market floor price and the Cumulative Price Threshold). Currently these responsibilities are undertaken by the Reliability Panel making recommendations to the AEMC. Whilst the proposal to make this the exclusive role of the AEMC could streamline the process, the advantage of the Panel is the experience and broad representation of its membership. Powerlink suggests that it should be possible for the AEMC to establish a model which captures that advantage, should the AEMC be

Yours sincerely,



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