



Your Reference:
Our Reference: E/06/00741

05 JUL 2006

Mr Ian Woodward
Chairman
AEMC Reliability Panel
PO Box H166
AUSTRALIA SQUARE NSW 1215

Via email: aemc@aemc.gov.au

Dear Mr Woodward

Thank you for your letter of 25 May 2006, seeking comment on the Comprehensive Reliability Review Issues Paper.

By its very nature, energy and its delivery are sensitive issues, fundamental to the economic health of the economy. The consequences of how these issues are managed will always be sheeted home to Government. The Queensland Government remains committed to maintaining a secure and reliable electricity supply to Queenslanders, and delivering a policy framework that encourages efficient investment.

This review is of particular interest to Queensland, which is now the second largest State for electricity consumption in Australia. I draw the Panel's attention to features of the Queensland electricity industry which demonstrate the region has unique reserve requirements, including: rapid demand growth; geographic differences (including a widely dispersed population linked by a long 'skinny' transmission network); constrained import capacity; and the flattest load curve in the NEM. I encourage the Panel to have regard to these features of the Queensland electricity industry in making recommendations regarding mechanisms to efficiently provide for reliability of supply in the Queensland region.

I note recent work undertaken by the National Electricity Market Management Company (NEMMCO) regarding its 2006 Minimum Reserve Level (MRL) Recalculation, which is the mechanism through which regional reserve levels are set. On 18 May 2006, I wrote to Mr Les Hosking, Chief Executive Officer of NEMMCO, recommending that NEMMCO defer its recalculation of MRLs until such time as the Comprehensive Reliability Review (the review) is complete. The recalculation may proceed once the implications of findings from the review have been incorporated.

It is encouraging to see the AEMC is also undertaking separate reviews of security provisions and the reliability of distribution, to ensure outcomes for customers.

As you may be aware, the Queensland Government initiated a review in 2003-04 into the performance of its electricity distribution networks and service delivery. The Government has worked closely with its two distribution businesses, Ergon Energy and ENERGEX, to implement the recommendations of the independent review, referred to as the 'Somerville Report'.

I am pleased to note that the recommendations (including Guaranteed Service Levels, supply reliability measures and network management plans) are bringing a sharper focus within Ergon Energy and ENERGEX, with both companies making improvements to their internal processes and communications. These changes have also brought greater transparency and accountability to the distributors' programs for upgrading and maintaining their supply networks to meet the community's electricity needs.

The Department of Energy considers the Comprehensive Reliability Review an important step towards improving the framework that ensures a reliable and secure energy system for Australia. The Department of Energy looks forward to being involved in the progress of the Review and examining any options that appear to offer net benefits to the market.

Should you wish to discuss this matter any further, please contact Mr Alan Millis, Deputy Director-General on telephone (07) 3224 2191.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Flavell', written in a cursive style.

SCOTT FLAVELL
Director-General