

POWERLINK QUEENSLAND

RESPONSE TO: AEMC DRAFT RULE DETERMINATION

Transmission Last Resort Planning

29 January 2007

Powerlink Queensland (Powerlink) is pleased to make this submission to the Australian Energy Market Commission (the Commission) in respect of the Draft National Electricity Amendment (Transmission Last Resort Planning) Rule 2006 (the Draft Rule).

Use of the Reliability Panel

Powerlink notes the Commissions' proposal that the Reliability Panel fill the role of the industry panel that was originally proposed by the Ministerial Council on Energy (MCE). The MCE proposal also required that the Commission consult with NEMMCO. As NEMMCO is represented on the Reliability Panel both of the consultation requirements placed on the Commission by the original MCE proposal can be met. Powerlink believes that the use of the Reliability Panel which has NEMMCO representation, together with reference to the Annual National Transmission Statement which is produced by NEMMCO meets the MCE policy intent for the Commission to consult with NEMMCO.

The Draft Determination suggests that the terms of reference for this new role of the Reliability Panel will be included in the proposed Last Resort Planning Power Guidelines (the Guidelines). As the Reliability Panel is a quasi – statutory body with its mandate already specified within the Rules Powerlink believes that the scope of the Panels new role within the Last Resort Planning Power (LRPP) framework should be specified within the Rules.

Procedural Steps

Powerlink is also concerned that a number of potentially important procedural steps surrounding the exercise of the LRPP have been omitted. In particular Powerlink believes that before exercising the power the Commission should be required to consult with the party or parties who the Commission is considering directing. The advantages in requiring this procedural step are that the Commission can be fully informed as to:

- What steps, if any, are already being undertaken to conduct a Regulatory Test analysis;
- When the most recent analysis of the matter was conducted and the results of that analysis;
- Whether any of the key input assumptions to the analysis have changed;
- The likely costs of conducting the Regulatory Test analysis.

This information will assist the Commission in making an informed decision regarding the exercise of the LRPP. In the event the Commission determines that this procedural requirement should not be contained within the Rules, Powerlink believes it should nevertheless be captured within the Guidelines.

Costs of Meeting a LRPP Direction

The Commission is seeking comment on whether the Rules should provide for directed parties to recover the costs of undertaking the Regulatory Test and if so how this recovery should occur for TNSP's and non-TNSPs.

In the Draft Determination the Commission has suggested that a directed TNSP should be able to adsorb these costs within their regulated revenue cap as the costs are unlikely to be so large as to justify a direct pass through. Powerlink disagrees with the Commissions assessment on this point. Powerlink and TransGrid are currently undertaking technical and economic studies on options to upgrade the Queensland – New South Wales Interconnection (QNI). The cost to date of conducting this Regulatory Test analysis, including both internal resources and external consultants, is estimated to total approximately \$1 million.

Powerlink believes that where the directed party is not a prospective proponent of any recommendation flowing from a Regulatory Test analysis then there should be an explicit right to the recovery of costs. This would apply not only to a non-TNSP but also to a TNSP where the solution would be remote from their existing service area.

There should also be a right to cost recovery where there is recent previous analysis, possibly within the previous two to three years, that indicates there are no options which pass the Regulatory Test. In these circumstances the TNSP would be being directed to expend significant money and commit internal resources to analysis that may be highly unlikely to pass the Regulatory Test.

