

17 September 2009

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

Via email: submissions@aemc.gov.au

Dear John,

National Electricity Distribution Planning Framework Review – Categorisation of services

Grid Australia has been pleased to participate in the AEMC's review to develop National Electricity Distribution Planning arrangements and provided a formal submission on the Draft Report on 13 August 2009.

Grid Australia would like to comment further on an issue which has subsequently arisen in relation to the categorisation of transmission services. In particular, the appropriate categorisation of services which relate to the shared network component of a project that facilitates a TNSP to DNSP transmission connection service.

Grid Australia's comments are prompted by an AEMO submission to the Draft Report for the Review, which stated:

While the Rules deem connections between TNSPs and DNSPs to provide prescribed transmission services, the same does not apply to shared network augmentations resulting from a new or modified connection. These are more likely to provide negotiated transmission services as referred to in Chapter 5 of the Rules. ([AEMO submission to Draft Report, p 2](#))

Grid Australia disagrees with this statement the basis of which is not clear. The Rules are quite clear that a connection service provided by a TNSP to connect to the network of another NSP is a prescribed transmission service (refer to the definition of prescribed transmission services).

Grid Australia considers that any shared network augmentations resulting from a prescribed connection service will, as a matter of practical reality, always be to a standard level of service and, therefore, by definition also provide prescribed transmission services.

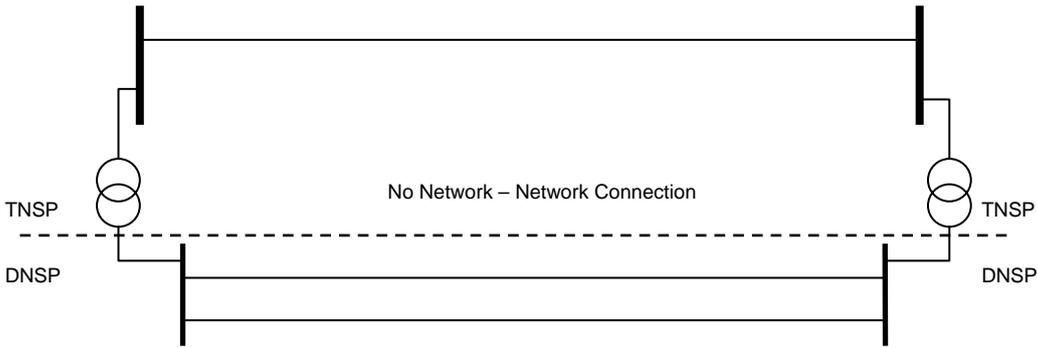
The Rules definition of negotiated transmission service only includes a shared transmission service that:

- (1) exceeds the network performance requirements (whether as to quality or quantity) (if any) as that shared transmission service is required to meet under any jurisdictional electricity legislation; or
- (2) except to the extent that the network performance requirements which that shared transmission service is required to meet are prescribed under any jurisdictional electricity legislation, exceeds or does not meet the network performance requirements (whether as to quality or quantity) as are set out in schedule 5.1a or 5.1.

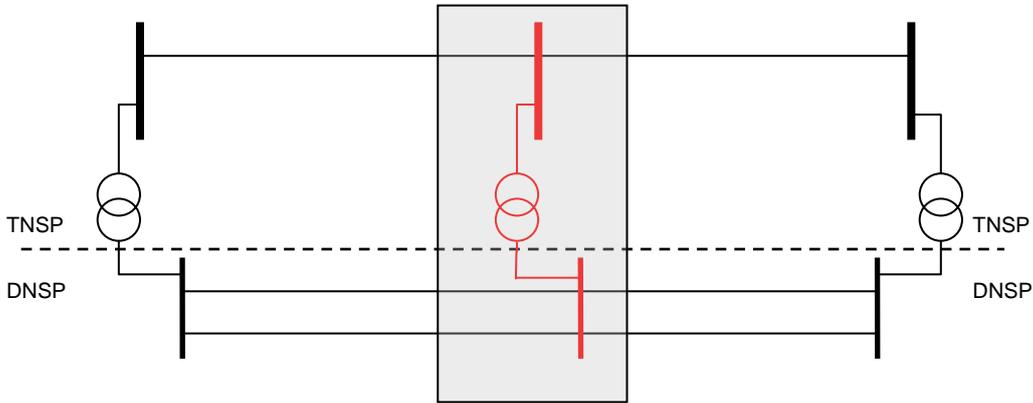
This definition makes it clear that shared network augmentations resulting from a new or modified connection that are provided to a standard level of service cannot be a negotiated transmission service. These services fall within the definition of prescribed transmission services.

On the basis of extensive experience with joint TNSP/ DNSP developments, Grid Australia is also not aware of an instance where any component of a network augmentation providing connection from a transmission network to a distribution network has warranted classification as a negotiated transmission service. This includes situations where the augmentation involves elements of shared transmission network, as set out in the following example:

Before:



After:



Finally, the Rules approach to categorising shared network augmentations resulting from a new or modified prescribed connection between a TNSP and DNSP includes the following benefits:

1. Avoiding the potential for 'negotiated services' to fall into a chain of prescribed services to end users, which would not be of any benefit and would create unnecessary complexity and inefficiency (see Attachment 1);
2. Enabling consistent and efficient project assessment processes, and regulatory treatment, of augmentation projects arising from joint planning between TNSPs and DNSPs; and
3. Facilitating consistent network pricing for services carrying out similar functions.

In summary, Grid Australia considers that any shared network augmentations resulting from a prescribed connection service will always be to a standard level of service and, therefore, by definition also provide prescribed transmission services.

While Grid Australia considers that this approach is clearly set out in the Rules, if this is not clear to AEMO or other parties then the AEMC might like to consider whether any clarification to the Rules is required to facilitate a consistent approach across the NEM.

Grid Australia trusts that this information is useful to the AEMC in developing its Final Report and recommendations to the MCE. If you require any further information, please do not hesitate to contact me on 08 8404 7983.

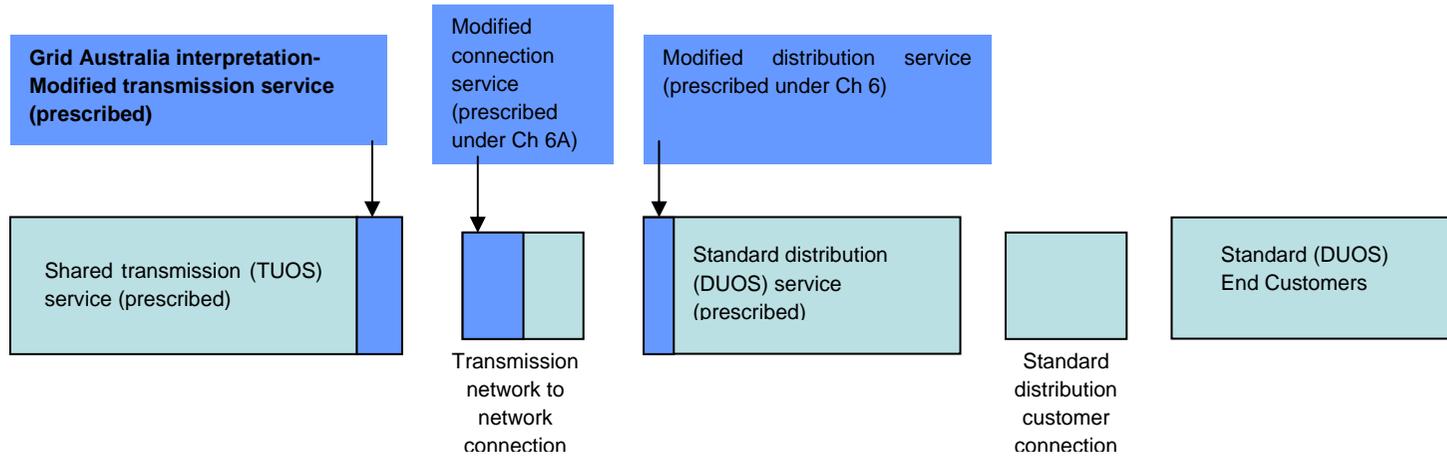
Yours sincerely,



Rainer Korte
Chairman
Grid Australia Regulatory Managers Group

Attachment 1: Diagrams of service classifications

Grid Australia's interpretation consistently treats the network modifications to facilitate network to network connection as prescribed services (because they are to a standard level of service).



Insertion of a negotiated service into a chain of standard (prescribed) network services to end users would not be of any benefit and would create unnecessary complexity and inefficiency.

