NATIONAL GENERATORS FORUM

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The Chairman,
Reliability Panel
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

By email: submission@aemc.gov.au

Dear Chair

Transmission Reliability Standards Review - Issues Paper

The NGF appreciates the opportunity to provide comment on the AEMC Reliability Panel Transmission Reliability Standards Review Issues Paper. This submission includes comment on the scope of the review and provides responses to the questions raised in the issues paper.

The NGF understands that the review is primarily concerned with the development of a consistent national framework for network reliability. Whilst the paper raises a range of issues associated with developing a national framework, much of the discussion in the issues paper concentrates on the narrower consideration of the form of the standards.

It is important that the review first consider the broader implications of a national framework before the more specific task of reviewing the form of the standards is undertaken. The broader review will consider appropriate arrangements as to how the standards are set and thus may have some bearing how the more specific standards review is approached and undertaken.

Whilst the issues paper defines the nature of transmission reliability standards and options for frameworks and approaches for setting standards, the nature of existing problems is not sufficiently clear. Apart from ensuring that any new arrangements satisfy the NEM objective, what is the review seeking to achieve and what are the criteria against which options will be assessed? There also needs to be consideration

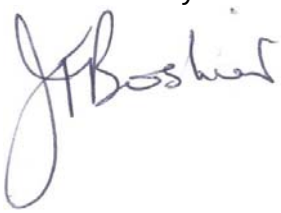
of the relationship to the transmission initiatives, such as the establishment of the National Transmission Planner.

In relation to setting the form of the standards, the potential benefits of a purely probabilistic approach need to be balanced against the benefits of a deterministic based approach which is generally easier to understand. However, whatever approach is chosen there is a need to increase the transparency of the processes associated with the application of the standards in the transmission planning and development programs.

The NGF believes there needs to be a clearer distinction between the '*national framework*' and '*form of standard*' aspects of the review. A set of criteria needs to be established against which options for change can be assessed. This is required to ensure the recommendations that come out of the review deliver clear net benefits for the market and its participants, and not another layer of regulatory burden.

If you have any questions in relation to the comment provided by the NGF please do not hesitate to call Mr. Tony Callan on (02) 9285 2712.

Yours faithfully



John Boshier
Executive Director

Transmission Reliability Standards Review - Issues Paper NGF Response to Questions

Q. What are the potential issues arising from divergent transmission standards across NEM jurisdiction

Three potential issues exist;

1. Regulatory Complexity: There is increased regulatory complexity for investors in new generation or demand side initiates when assessing longer term network performance, levels of congestion and market access.
2. Equity: Different standards will drive different levels of transmission investment and therefore different costs to consumers across the NEM.
3. Regulatory Overhead: Multiple standards can result in duplication of administration and higher costs.

Q. What are the size and scope of the policy and commercial issues arising from divergent transmission standards across NEM jurisdictions? Which are the most significant? How significant are they?

No comment.

Q. What motivations, if any, are there for greater national consistency of transmission standards across the NEM?

The key motivations include reduced regulatory complexity, better definitions of standards across all jurisdictions, increased transparency of application of standards, lower overall administration costs, and greater ability to review and reset standards as required in the future.

Q. Are there other advantages and disadvantages of having transmission standards that are divergent and are set on a jurisdiction specific basis? Do the advantages outweigh the disadvantages? Or vice versa?

It is potentially inconsistent to have a national electricity market with divergent state based standards that impact both reliability and security settings in the market. There would need to be a demonstration from the individual jurisdictions as to how having different standards delivers a net benefit compared with a single standard.

Q. What does "nationally consistent" framework mean, and what does it not mean?

A "nationally consistent" framework would define the scope, development, implementation, and administration of reliability standards applied by all transmission

planning bodies in the NEM. It would mean that future development of the network should deliver the same average level of reliability, for comparable loads, right across the NEM.

Q. How is the notion of a "nationally consistent" framework best expressed?

No additional comments.

Q. What are the pros and cons of having jurisdictional transmission standards aligned through:

- ***Making the operational standards in the Rules more specific, thereby limiting the degree of discretion available to TNSPs in meeting the operational standards contained in the Rules;***
- ***Expanding the transmission standards in the Rules to cover the planning horizon, as well as the operational horizon;***
- ***Aligning the form of jurisdictional transmission standards across the NEM via coordinated changes to the specific jurisdictional instruments which specify the standards.***

The benefits of moving to consistent standards is likely to be delivered by a single instrument, possibly part of the NER, that defines the nature of the standard (e.g. probabilistic, deterministic or hybrid) and at what locations in the network they are to be applied. In other words, there would be limited discretion for planning bodies to deliver different reliability outcomes for generators and consumers across jurisdictions.

A single instrument will facilitate reviews and changes to standards as and when required.

Q. What are the pros and cons of having a uniform transmission standard applied across the NEM?

No additional comments.

Q. What are the costs and benefits of moving to a common form and level of transmission planning standard?

A common form and level of standard, given force in the NER, should deliver improved economic benefit to consumers because of the additional level of transparency and scrutiny applied to the framework and standards at a NEM wide level. Open and transparent reviews over time should ensure the standards are set at the optimal form and level.

Q. What allowances would have to be made in moving to a uniform standard?

No additional comment.

Q. What are the costs and benefits of not moving to a common form and level of transmission planning standard?

No additional comment.

Q. What are the costs and issues if a common transmission standard leads to an inconsistency with the DNSP sub-transmission standard in the same jurisdiction?

There is likely to be minimal costs resulting from inconsistency with sub-transmission standards so long as the NEM wide standard is applied to parts of the sub-transmission system which clearly influence the operation of the main transmission network.

Q. Which body is best placed to set any nationally consistent transmission standard and why? To whom, and how, should this body be accountable?

The AEMC is probably best placed to set the national standard based on advice from the Reliability Panel and the AER.

Q. What interactions are there between jurisdictional transmission standards and other aspects of the regulatory regime?

The transmission reliability framework and standards must be consistent with related regulation and the proposed National Transmission Planner arrangements.

As detailed in the covering letter, the framework for a national standards regime needs to be fully detailed before the issue of the form and level of standards is considered.

Q. What linkages are there between jurisdictional transmission standards and other reviews or Rule changes currently under consideration by the AEMC?

No additional comment.

Q. How should these interactions be taken into consideration in developing a framework for nationally consistent transmission reliability standards?

No additional comment.

Q. The Panel invites views on the above mentioned questions and opinions on what other implementation issues it should consider in developing a nationally consistent transmission reliability framework.

The challenge will be assessing the net benefit of developing a nationally consistent transmission standards framework. In the absence of clear outcomes from this assessment the NGF would favour a move to a national framework with a common form and level of reliability standards.

Q. What are the process steps you think will be necessary to establish a transmission reliability framework for the NEM?

The following steps are suggested;

1. AEMC to undertake the assessment of the net benefits of a national transmission reliability framework against an agreed set of criteria;
2. So long as there are no obvious net costs, the AEMC should develop a national transmission reliability standard framework, consistent with the National Transmission Planner arrangements for jurisdictional stakeholder and MCE approval;
3. Once approved, the Reliability Panel could develop a proposed form and level of a transmission standard – in consultation with the AER and market participants.
4. AEMC to implement the new framework with agreed standards in accordance with a timetable agreed with the transmission planning bodies.

Q. What difficulties do you see in implementing a nationally consistent transmission reliability framework and how could these best be managed or overcome?

No additional comment.