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Australian Energy Market Commission
Level 16, 1 Margaret Street
Sydney
NSW 2000
AUSTRALIA

By Email to submissions@aemc.gov.au

Dear Sir or Madam

National Electricity Rules Proposed Amendment – Central Dispatch of Wind and Other Intermittent Generation

1 Introduction

Thank you for the opportunity to provide a submission on the proposed amendment to the National Electricity Rules ("NERs") in relation to the central dispatch of wind and other intermittent generation. TrustPower Limited ("TrustPower") is the ultimate parent company of Snowtown Wind Farm Pty Ltd. Snowtown Wind Farm Pty Ltd is presently constructing an 88.2 MW wind farm on the Barunga Ranges in South Australia consisting of 42 Suzlon S88 2.1 MW wind turbine generators.

TrustPower has contributed to the submission by the Australian Wind Energy Association ("Auswind") and supports the submissions and proposed changes promoted by Auswind on behalf of its members.

This submission will concentrate on an issue in which there is differing views within the Auswind membership being the transitional arrangements and the associated Chapter 11 rule changes.

2 Principles of Transitional Arrangements

Section 3.8 of the request for rule change paper prepared by NEMMCO describes the proposed semi-dispatch transitional arrangements and reasons for the proposed triggers for grandfathering. In this section it is also noted that the proposed semi-dispatch transitional arrangements did not have the unanimous support of the WEIRG, and two alternatives are discussed in section 10.

TrustPower agrees with the principles in the first paragraph of section 3.8 that retrospective application of regulatory requirements can introduce sovereign risk and increase regulatory uncertainty. However TrustPower does not agree that the proposed triggers for allowing non-scheduled classification is achieving the desired outcome.

3 Definition of “existing” generating unit

Under the proposed Chapter 11 provisions NEMMCO would assess an “existing” generating unit as either:

- (a) a generating unit already classified in the NEM before the “Semi-Dispatch Rules Effective Date”; or
- (b) a generating unit for which an application to classify in the NEM is submitted on or after the “Semi-Dispatch Rules Effective Date” and for which the network connection agreement with the relevant NSP was executed before the “Semi-Dispatch Rules Effective Date”.

3.2 Connection Agreement as a Trigger

The argument for the NSP connection agreement trigger for “existing” status is that an executed connection agreement is a major milestone that signifies a major commitment based on the Rules as they were relevant at the time.

TrustPower contends that the use of a connection agreement as a trigger is flawed and will result in the sort of “intergenerational inequities” discussed in section 10.2.1 of the proposal for rule change.

Having a connection agreement in place executed with a NSP does not necessarily mean that a commitment to capital works has been made. In most cases a connection agreement is signed prior to final commitment, but this does not always happen.

The NERs define a connection agreement as:

“An agreement between a Network Service Provider and a Registered Participant or other person by which the Registered Participant or other person is connected to the Network Service Provider’s transmission or distribution network and/or receives transmission services or distribution services. In some participating jurisdictions, the Registered Participant or other person may have one connection agreement with a Network Service Provider for connection services and another agreement with a different Network Service Provider for network services provided by the transmission network.”

There is nothing in this definition to prescribe the conditionality of a connection agreement in place. In practice it is very common for connection agreements to have a number of preconditions that are required to be met before the NSP is obliged to provide a connection, and the proponent is committed to pay for the connection. It is thus quite possible that a ‘conditional’ connection agreement could be in place well before commitment to major capital works is made. This effectively could allow a project proponent to lock in the grandfathering provisions at little cost to the disadvantage of other proponents without connection agreements at the “Semi-Dispatch Rules Effective Date”.

3.3 Snowtown/Clements Gap Example

TrustPower is aware of a specific example where the proposed new trigger may result in a perverse and inequitable outcome.

TrustPower has commenced construction of an 88.2 MW wind farm as described above on the Barunga Ranges in South Australia. At this stage an unconditional Engineer, Procure and Construct contract has been entered into with Suzlon Energy Australia Pty Ltd and a connection agreement with ElectraNet Pty Limited (“ElectraNet”) to be connected to the ElectraNet’s Bungama–Hummock 132 kV transmission line. The project is now fully underway both with on site works and works for ElectraNet’s substation site underway. The commitment to erect turbines on site is unconditional except for breaches by the EPC supplier, and TrustPower has a connection agreement in place with ElectraNet.

TrustPower announced these arrangements to the market in January 2007.

The decision by the Essential Services Commission of South Australia (“ESCOSA”) in September 2005 to require all new Generation Licences for wind farms include a condition requiring wind farm

generators to the registered as scheduled generators under the NERs means that although the Snowtown project would comply as far as the proposed rules are concerned to be classified as a non-scheduled generator it would be unable to do so because of the terms of Generation Licence.

In contrast Pacific Hydro Ltd secured a conditional Generation Licence with ESCOSA in late 2004 before a hold was put in place on the issuing of generation licences with a condition that a connection agreement was in place. ElectraNet reported in its 2005 annual review that a generation agreement for the Clements Gap Wind Farm was finalised in May 2005. Pacific Hydro was issued with a Generation Licence by ESCOSA on 3 June 2005. TrustPower understands that the connection agreement with ElectraNet is in place with a connection to the same transmission line that TrustPower's Snowtown wind farm will be connected.

If both TrustPower's Snowtown wind farm and Pacific Hydro's wind farm are connected to the same transmission line a thermal constraint will occur on the Bungama–Hummocks 132 kV transmission line at high wind farm generation. In this case an unscheduled generator will always be dispatched ahead of a semi-scheduled generator, because the NEMMCO systems will only call on a non-scheduled generator to reduce generation through the NSP, if it is unable to do so through the normal dispatch process.

TrustPower is unable to find any public information to suggest that the Clements Gap wind farm is committed to proceed even though a connection agreement has been reported to be in place by ElectraNet's annual review.

If the rule change proceeds as proposed and the Clements Gap Wind Farm proceeds at some stage in the future, as yet unknown, then it may cause the now committed Snowtown Wind Farm to be constrained off prior to the Clements Gap Wind Farm because the Clements Gap Wind Farm will be unscheduled and the Snowtown Wind Farm will be either scheduled, or if ESCOSA relaxes its generation licence, semi-scheduled.

TrustPower submits that this outcome is not the intention of the grandfathering provisions, in that the generator that is committed will be disadvantaged by a generator that has secured a generation licence with ESCOSA and a conditional connection agreement but appears to be not a committed project from a financial commitment view.

4 Alternative Semi-Dispatch Arrangements

TrustPower proposes three alternatives to that proposed by NEMMCO in its request for rule change to define wind farms that would qualify for the transitional arrangements.

4.1 Preferred Alternative

TrustPower's preferred alternative is the alternative described in section 10.2.1 of the request for rule change, modified to allow existing generators that do not have adequate communications or control systems to be exempt. This is described in more detail in section 5 of this submission.

4.2 Second Alternative

A second alternative is described in section 6 of this submission involving using same test of project commitment that NEMMCO uses in the Statement of Opportunities.

4.3 Third Alternative

A third alternative described in section 7 of this submission puts more conditions on the connection agreement test.

5 NEMMCO Proposed Alternative

Section 10.2.1 of the request for rule change provides an alternative transitional approach, which would automatically re-classify all existing generators as semi-dispatch if they met the semi-scheduled criteria; unless the generator can demonstrate that it is infeasible to operate as a Semi-Scheduled generator.

TrustPower supports the alternative option detailed in 10.2.1. as being a more robust and equitable way to treat new Semi-Scheduled generation, particularly in constrained areas of the transmission system. TrustPower does not support the arguments against the alternative proposal. The cost of additional control equipment and communications to enable a wind farm to comply with the proposed Semi-Scheduled rules is minor, except in areas remote from communication. The request for rule change notes that in South Australia many existing wind farms already have the systems and communications installed to automatically limit output in response to a signal from the TNSP. The technology installed will only require minor modification to comply with the proposed Semi-Dispatch rules.

If the alternative transitional approach is adopted, it could be modified to enable existing generating units to remain un-scheduled where those generating units did not have existing communications and control systems and had not be required to install them by the local TNSP. This would mean that most existing wind farms in South Australia where the main concern about dispatch of wind farms exists would be required to be re-classified because the control equipment and systems already exist for the use of the TNSP, while in other jurisdictions where the control equipment has not been required up to this point existing generators would not be required to be re-classified.

6 Statement of Opportunity Test

If it is still considered desirable to have a blanket exemption for existing generators then TrustPower proposes an alternative definition of existing generator, using the following criteria to assess if a generating unit is deemed to be 'existing'.

6.1 Generation Units already Registered

A generating unit that has registered as a non-scheduled or scheduled generator at the Semi-Dispatch Effective date would be entitled to either remain in the existing classification apply to be re-classified as a semi-scheduled generating unit.

6.2 Generation Units Committed

A generating unit that is 'committed' at the Semi-Dispatch Effective Date is entitled to apply to NEMMCO for exemption from being registered as a semi-scheduled generating unit. In assessing the exemption NEMMCO is required to apply the same test as it does in determining if a new generating unit is committed for inclusion in the Statement of Opportunities ('SOO'). The criteria used by NEMMCO for the SOO are all of the following criteria have been satisfied.

- (a) Purchased/settled/acquired land (or legal proceedings have commenced) for the construction of the proposed development.
- (b) Contracts for the supply and construction of the major components of plant or equipment should be finalised and executed, including any provisions for cancellation payments.
- (c) Obtained all required planning consents, construction approvals and licences, including completion and acceptance of any necessary environmental impact statements.
- (d) The financing arrangements for the proposal, including any debt plans, must have been concluded and contracts executed.
- (e) Construction of the proposal must either have commenced or a firm commencement date must have been set.

In addition the generating unit would need to demonstrate to NEMMCO that the design of the generating unit did not include facilities to enable compliance with the semi-scheduled rules and that the local TNSP had not required control facilities and communications to be installed to automatically restrict output.

Evidence of an executed connection agreement would not be sufficient evidence of a committed project.

7 Connection Agreement Test

If the AEMC still considers that the connection agreement is the most appropriate test of whether a generating unit is committed then there must be a rigorous test of the status of the connection agreement. A project should only be deemed 'existing' if:

- (a) the connection agreement has all conditions precedent to the operation of the connection agreement satisfied or waived prior to the Semi-Dispatch Rule Effective Date; and
- (b) the wind farm design and connection arrangements have not been materially changed after the Semi-Dispatch Effective Date, including a change in wind turbine manufacturer or significant model change or a material change in the negotiated performance standards.

These conditions are to ensure that existing connection agreements are tested to ensure they relate to real committed projects and have not just been put in place to secure classification as a non-scheduled generating unit.

8 Summary

TrustPower has proposed in this submission three alternatives for defining an 'existing' generation unit for the transitional provisions of the semi-dispatch rules, and recommends that the AEMC consider each of the alternatives proposed as a replacement for that proposed in the request for rule change.

If any further clarification is required please contact the writer. Contact details are at the beginning of this letter.

Yours sincerely



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