

Mr Ian Gibbs
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Review of the National Access Regime
Productivity Commission
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Dear Sir

**Legislation Review: Inquiry into the National Access Regime
– Sydney Public Hearing Transcripts 7 June 2001**

Introduction

TransGrid would like to take this opportunity to correct some inaccurate and unsubstantiated statements made by representatives of the Energy Markets Reform Forum (the “Forum”) at the public hearing into the Review of the National Access regime held in Sydney on 7 June 2001. In particular, TransGrid is concerned about their commentary on network augmentation proposals and TransGrid’s “purported” position on this and related interconnection matters. TransGrid requests that the Productivity Commission register these concerns on the official records of this inquiry, and we would welcome the opportunity to discuss any of the matters raised in this letter.

In adhering to the public hearing procedures adopted in this inquiry, written corrections will be made to redress the misrepresentation of TransGrid’s position on interconnection options in relation to the existing Snowy-Victoria interconnect, and not the incorrectly quoted “New South Wales-Victoria interconnect”, and network augmentations in general.

Current TransGrid Position on Interconnection

TransGrid’s philosophy on both regulated and economically justified interconnection has been made clear on numerous occasions at various Forums, and in public submissions. This philosophy states that TransGrid will always consider, and critically evaluate in compliance with National Electricity Code requirements, any network augmentation project that has potential to provide improvements in public and market benefits and a reasonable rate of return.

Incorrect Statement #1, page 76 of Official Transcripts

MR DOBNEY: “... Another thing to add just in here is that Vencorp in Victoria has proposed the upgrade of the New South Wales-Victoria interconnect, electricity interconnect, by about 400 megawatts at the cost of about \$40 million. This is a very cheap and efficient way of getting additional electricity capacity into Victoria you would think. It will alleviate power shortages in Victoria in the years ahead.

Transgrid (sic) are not very keen on this project and under questioning by ourselves and others it seems that why they're not keen on it, is it's really not adding a lot to their capital base and they would prefer to have some congestion pricing on the interconnect rather than allow electricity to flow to another part of the national market...".

Correct TransGrid Position

- Most importantly, and contrary to what the Forum has suggested, TransGrid has been closely involved with VENCORP in some joint planning work to further refine the current 400MW option developed by VENCORP. In its current form this augmentation will only address Victoria's immediate problem for a limited number of years and TransGrid is also further developing other possible options with VENCORP for higher capacity interconnection on the existing Snowy-Victoria interconnect.
- It would be courageous for any TransGrid representative to commit to a public position on congestion pricing, let alone for end-user representatives to purport to portray TransGrid's stance, given the present uncertainty over future transmission pricing arrangements. TransGrid's revenue is currently raised primarily through an existing methodology for TUOS charges that is not based on congestion. Any views on future pricing rules are speculative, given the ongoing National Electricity Code Administrator and Australian Competition and Consumer Commission (ACCC) Reviews into Transmission and Distribution Pricing, whereby the ACCC aims to release a final determination on network pricing Code changes by August 2001.
- It would be of practical benefit for all interested parties, especially TransGrid and the Productivity Commission, if the Forum were explicit with their concerns by stating when and whom they spoke to in TransGrid prior to the Forum's statement going on the public record. Furthermore, who are the other "parties" that were purported to have contacted TransGrid as referred to by the "Forum"?

Incorrect Statement #2, page 76 of Official Transcripts

MR LIM: "I guess what Peter is saying that there are pull and push factors. On the one hand you might get a lot of new proposals like the \$5.5 billion that he mentioned in terms of augmentation of electricity network systems that have come under access reviews in the main, but on the other hand there are also push factors which might constrain investments coming forward for any number of reasons; preferences by some asset owners to have congestion pricing, create congestion, or perhaps interferences by State governments that wish to preserve the value in some of their businesses by preventing, for example, building of bigger interconnections between New South Wales and Victoria...".

Correct TransGrid Position

The first two concerns raised in response to incorrect statement #1 are just as pertinent here, as implied by some asset owners preference to have "congestion pricing", and "preventing, for example, building of bigger interconnections between New South Wales and Victoria...".

Incorrect Statement #3, pages 76-77 of Official Transcripts

MR DOBNEY: "... We feel that so far as electricity infrastructure goes NEMMCO should actually be required to prepare a statement of opportunities in much the same way as they do for generation for transmission systems with a five-year outlook to advise where opportunities to relieve constraints within the system. That would provide some sort of oversight in this matter as well as providing signals for investment rather than what we're seeing at the moment...".

Correct Position

TransGrid's current understanding, in response to the Forum's suggestion that the National Electricity Market Management Company's (NEMMCO's) Statement of Opportunities (SOO) does not address network constraints, is that the SOO actually does address network constraints but does not develop future plans to overcome such constraints.

Within each State a comprehensive report on transmission constraints and options for relieving them is prepared and published each year. Mr Dobney's comment should therefore be taken to apply only to interconnections between NEM regions.

As a result of a recent draft report sent by PricewaterhouseCoopers to the Reliability Panel, there are some prospective proposals to try and address the current lack of information on potential opportunities for network augmentations. However, both the Productivity Commission and the Forum should be aware that the issue is presently with the Reliability Panel and NEMMCO for ultimate clarification and resolution.

A copy of this document will be forwarded to Mr Peter Dobney and Mr Bob Lim of the Energy Markets Reform Forum for their information.

Should you wish to discuss any of the matters raised in this response, please feel free to contact Phillip Gall (Manager/Regulatory Affairs) on (02) 9284 3434 or e-mail: phil.gall@tg.nsw.gov.au.

Yours sincerely

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