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14 March 2013

Mr Philip Weickhardt
Presiding Commissioner, Productivity Commission
Electricity Network Regulatory Frameworks
GPO Box 1428
Canberra City ACT 26001
By email: electricity@pc.gov.au

Dear Mr Weickhardt,

RE: CEC response to Grid Australia Submission DR105

Once again the CEC would like to take the opportunity to make a late contribution to the Productivity Commission's Electricity Networks Regulation Frameworks Review. In particular this brief letter is aimed at providing some additional insight into claims made in the submission identified above in relation to contestable delivery of transmission network assets.

There are three points which the CEC would like raise with the Commission:

Firstly, the submission (p. 1) claims that

"competitive provision of transmission plant and equipment is already in place as the normal means of procurement by Transmission Network Service Providers (TNSPs). This includes the competitive provision of plant and equipment required to accommodate new connections."

On the matter of new connections this claim is not entirely correct. The experience of the CEC's members is that TNSPs do procure contestably for new connections, however any cost efficiencies derived from this are hardly passed on to the connecting party. These experiences have led to an expectation that connection works managed by a TNSP under contestable delivery will cost in the order of 150% that if the connecting party was responsible for the delivery of the same assets. The CEC expects that AEMO's submission (DR100) provided evidence of this outcome. By extension, it is unclear that the purported benefits of contestability are passed on to consumers for other network augmentation projects within the current regulatory regime.

Secondly, the Grid Australia submission has confused the intent of the UK offshore transmission arrangements. The financing arrangements for delivery and ownership of these assets cited are in place to incentivise rapid outcomes and to enable the UK to increase its renewable energy contribution and as such they are incomparable to a NEM based equivalent.

Two independent parties delivering these assets is a clear demonstration of contestable processes occurring, not of any failings in these processes.

Thirdly, on the matter of accountability for contestable operation of transmission network assets it is important to capture the context in which these arrangements are proposed. The NEM is an interconnected system which is regionalised into TNSP network areas nominally by state borders. In practice these borders are only constructs created by legacy market arrangements and have little bearing on transmission service delivery.

This, in effect, is exactly the same arrangement which would apply under a framework for contestable ownership and operation of transmission network assets, the fundamental change being that boundaries of TNSP ownership are separated from state borders. As a result there is currently no evidence that more dispersed ownership and operation of these assets alone would necessarily reduce transparency or accountability for service delivery as claimed.

Once again the CEC thanks the Commission for the opportunity to make this late submission. Please do not hesitate to contact the undersigned for any queries regarding this letter.

Yours sincerely,

Tom Butler | Network Specialist | Clean Energy Council