POWERLINK QUEENSLAND

RESPONSE TO:

AEMC Strategic Priorities for Energy Market Development – Discussion Paper

13 May 2011

Powerlink Queensland (Powerlink) welcomes the opportunity to comment on the Discussion Paper released by the Australian Energy Market Commission (the Commission) as part of its Review of Strategic Priorities for Energy Market Development (the Discussion Paper). Powerlink is a member of Grid Australia and fully supports the submission made by that body. Powerlink is also concerned to ensure the Commission remains cognisant of the challenges facing transmission investment decision-making in the fastest growing jurisdiction in the NEM.

The Discussion Paper correctly identifies the investment requirements to meet forecast increases in peak demands as amongst the key challenges to energy markets[1]. The Discussion Paper notes that a typical new CCGT plant will take between two and three years to build and that "the potential for additional investment in generation to be required to meet demand projections in the medium term increases the importance of ensuring the NEM and the wider policy environment do not create barriers to investment"[2].

These challenges directly lead to the Commission's identified "Strategic Priority Three – Ensuring the transmission framework delivers efficient and timely investment". Powerlink agrees that efficient and timely delivery of transmission investment is critical to the ongoing success of the NEM. However Powerlink is concerned that the Discussion Paper characterises this investment as primarily to support new generation connections and managing congestion within the network[3].

Powerlink's recent experience is that significant load developments occur in short time-frames similar to that for generation developments. It is common for resources sector companies to have compressed timeframes their projects, and development timeframe for the electricity transmission (obtaining a new corridor and building a new line) has to be similarly compressed. As transmission networks are required to be developed to reliably meet the forecast future demands, it is critical the investments to meet these requirements are also able to be made in a timely manner. For major load developments, this is not limited to just connecting the new load, but extends to upstream shared network developments to ensure that all customers continue to receive a reliable electricity supply. This requires the application of the RIT-T which imposes an additional 9 – 15 months before investment approval can be obtained.

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[1] AEMC, Strategic Priorities for Energy Market Development – Discussion Paper, 2011, p25
[2] Ibid, p27
[3] Ibid, p45

By way of example, in the Surat Basin, the lead-time for new large LNG processing and compression loads between Connection Enquiry and required supply is 3 – 4 years. This has required Powerlink to acquire new easements and build around 150km of new transmission lines to reinforce supply to the area, all in less than four years. In comparison AEMO considers that it can typically take 7 – 15 years for a similar development[4].

Powerlink considers that in any 'fit for purpose' regulatory regime the frameworks for transmission investment must be suitable to meet the needs of the toughest duty in the NEM, such as the high growth rates and tight timelines of Queensland, and not be benchmarked against the lighter duty requirements in other jurisdictions. This means that any proposals to change the NEM framework for transmission network planning and investment must ensure that regulatory timelines, such as imposed by the RIT-T, are shortened not lengthened.

[4] AEMO, Network Extensions to Remote Areas – Part 1 Planning Considerations, 2009, p14