



13 May 2011

Mr John Pierce  
Mr Neville Henderson  
Dr Brian Spalding  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Commissioners,

**EPR0019: Transmission Frameworks Review – Directions Paper**

**A: Introduction**

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TRUenergy welcomes the opportunity to provide a response to the Transmission Frameworks Review (TFR) Directions Paper.

The Directions Paper sets out the Australian Energy Market Commission's (AEMC's) initial response to matters raised in submissions to the Issues Paper by the market. The AEMC seeks to sharpen the focus of this transmission review by identifying key themes for further analysis and development during the next stage of the consultation process. As we understand it, the Directions Paper responds to stakeholder feedback and sets out a characterisation of issues around the five key areas of:

- The nature of access
- Network charging
- Congestion
- Planning
- Connections

The AEMC seeks responses to the Directions Paper from its key stakeholders. Specifically, it requests input in two key areas of this review. That is, on the **way** it has framed the transmission issues and whether this represents an appropriate **structure** for resolving them.

TRUenergy supports the approach taken by the AEMC in the TFR. Importantly, we consider that the AEMC has framed and structured the issues in the Directions Paper in a manner that sets up an appropriate foundation to facilitate the necessary changes to the transmission framework. In reviewing the five key areas of the TFR, the AEMC seeks to ensure that all the key areas of the framework are covered as part of this review.

TRUenergy welcomes the continuation of the TFR in its current format. We look forward to working with the AEMC in the future to ensure that we deliver the appropriate changes in transmission for the market as a whole. As part of our response to the Direction Paper, we welcome the opportunity to support the AEMC's decision to do more work in a number of key areas of the transmission framework. In addition, we look forward to the AEMC's consideration of our submission. And, we look forward to the further considering the broad range of options policy packages developed by the AEMC following the release of the 1<sup>st</sup> interim report.

## **B: Regulatory risk**

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TRUenergy considers that it is incumbent on the AEMC to demonstrate caution before making any changes to the transmission framework that may impact the financial viability of sector. In the current regulatory environment, it is crucial that the AEMC get the policy settings for transmission right because of the current risk to the sector as a result of the impending carbon price mechanism and available scheme architecture.

The generation sector faces an unprecedented risk in the next few decades with the impending exodus of existing high emission generators due to a carbon price, especially if the government fails to implement the correct policy settings for that price. Given this constraint, we urge the AEMC to demonstrate caution before initiating any major changes to the transmission framework which may lead to a further exodus of existing generation investment.

TRUenergy regards regulation to some degree a contract between the regulator, who acts as an agent for consumers and the government, and the investor. The regulatory contract will always be incomplete, in the sense that it cannot specify up front when an entity makes an investment the behaviour permitted by a regulator under each possible contingency. Because of the incompleteness in the regulatory contract following an investment decision, the ability of an entity to recover its costs may depend on the actions of a regulator. It could also be that the regulator's interests and the investors' interests may not always align, and the regulator may have the incentive to act opportunistically and expropriate the returns from sunk investments in some cases.

We consider regulators need to be very careful before acting opportunistically in the policy setting, because it will inevitably increase the risk of investment in the industry and lead to a higher costs of providing that service to society as a whole in the long run. Therefore, we urge the AEMC to protect the investment value of any sunk assets in the NEM before implementing any major policy changes to the framework in the TFR that could have an adverse impact.

We note that this principle has been long accepted by the AEMC in regard to the network sector, and a consistent approach is required in the market facing sector.

## **C: Key points**

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TRUenergy supports the AEMC's decision to commence further work into a broad range of areas of the transmission framework as indicated in its Directions Paper. In this regard, we make the following key points in response to the course of action outlined in the Directions Paper.

- 1: TRUenergy believes that the AEMC needs to clearly define the nature of the service to be provided by a reliability standard for generation before they decide on who should pay for it**

TRUenergy considers the AEMC needs to clearly define the nature of the service to be provided by a reliability standard for generation before deciding on who should pay for it

A reliability standard for generation would ensure that a certain level of transmission capacity was provided for generators in planning time scales. In the past, regulators have refrained from considering this issue because of the contentious issue of who should pay for the service. The issue of whether incumbent generators should pay for this service has always been a controversial. In the Directions Paper, we note that the AEMC has linked this development to a charging regime for generators. In this regard, we believe that if the AEMC decides to implement a charge for introducing a reliability standard for generation in transmission, then the AEMC needs to ensure that the charging scheme delivers efficiency benefits to all the market participants' equally. Currently, we cannot see that there would be any real economic benefits of implementing a transmission charge on sunk generation investments.

If the AEMC decides to introduce a reliability standard for generation in transmission, then we believe that it is incumbent on the AEMC to make the case for why incumbent generators should be required to pay for the standard. To this end, the AEMC needs to make a strong case that charging incumbent generators for this service is economically efficient and consistent with the National Electricity Objective (NEO).

**2. TRUenergy supports an investigation of a range of generator charging models to pay for a reliability standard for generation once the AEMC has clearly defined the form of the reliability standard for generation it intends to introduce**

TRUenergy supports an investigation of a range of generator charging models to pay for a reliability standard for generation in transmission once the AEMC has defined the form of that reliability standard.

The AEMC conducted some preliminary work in the Energy Markets Framework Review (EMFR) <sup>1</sup> regarding the options available for implementing a transmission charge in order to signal network costs to generators. As part of the review, the AEMC assessed the merits of two broad options including a use of system charge for generators or a deep connection charge. The question of whether any charges levied on generators should apply to all generators or just new entrants as a consequence of introducing firmer service for generators was debated vigorously by a number of stakeholders in the past. In this regard, we note the AEMC's preference for a generator use of system charge (G TUOS) in the EMFR.

TRUenergy remains unconvinced that a G TUOS charge to be applied to sunk generation investments will improve the economic efficiency of the NEM. We are not clear on how such a charge would provide an incentive for existing generation to improve their locational decisions if that generator has already decided on where to locate.

TRUenergy notes that the AEMC justified its decision to introduce a G TUOS charge on existing generation on the basis it would send an appropriate retirement signal to existing plant. In our view, in the absence of detailed calculations, it is impossible to conclude that a G TUOS charge would be effective in influencing either the decisions of generators to locate or retire in a **meaningful** way. Furthermore, this is all the more case, if the G TUOS charge at a particular location varies over time in response to changing network trends.

As such, currently, we consider that G TUOS should not apply to incumbent generators on the basis it would not improve the efficiency of the current arrangements. This is especially true given these generators have already made the decision on where to locate. In short, there is no justification for recovering sunk costs from generators. (See above discussion Section B). However, should a strong case emerge for such a charge, we recommend a full examination of the merits of a range of generator charging models available to the market before deciding on the implementation of such a scheme.

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<sup>1</sup> Review of the Energy Market Frameworks in light of Climate Change Policies – Final Report: 30 September 2009. Appendix 1 p. 255

### **3. TRUenergy welcomes further examination into models that provide generators with the option to pay for an enhanced level of access**

TRUenergy welcomes the AEMC's decision in the Directions Paper to investigate a range of schemes that will allow generators to pay for the right for an enhanced level of transmission service.

We look forward to the opportunity to work with the AEMC to develop such an arrangement for the NEM. As we understand it, Section 5.4 A of the Rules may provide an opportunity to facilitate this type of arrangement for our market in the future. Whilst we understand the AEMC currently argues that this section of the rules is currently unworkable, we believe that it warrants much further investigation.

### **4. TRUenergy agrees it is prudent to investigate a market in financial access rights**

TRUenergy believes it is prudent to investigate a regime for financial access rights.

However, we agree with the AEMC that such schemes are complex and costly to implement. In addition, we regard the introduction of financial access rights would represent a major change to the current arrangements in the NEM. Therefore, we would only welcome the further investigation of such a regime if it could be demonstrated that the benefits of its implementation exceeded its costs.

### **5: TRUenergy supports the AEMC's decision to investigate the RIT-T and quantifying competition benefits in the test**

TRUenergy supports the AEMC's decision to undertake more work in simplifying the task of capturing competition benefits in the RIT-T.

We note stakeholders concerns regarding the RIT-T and its failure to deliver investment in a timely and efficient manner which could lead to excessive congestion and dispatch uncertainty. In this regard, we expect to work with the AEMC to make progress on this issue in this review.

We are encouraged by the recent changes to the RIT-T that amalgamates both reliability and market benefits under the RIT-T. In addition, the inclusion of market benefits like "options values" and "competition benefits" into the RIT-T will help justify more transmission augmentations to the shared network. However, we agree with major stakeholders that quantifying competition benefits in the RIT-T is overly complex. Hence, we look forward to working with the AEMC to investigate the area of competition benefits in the RIT much further as part of this review.

### **6: TRUenergy supports the AEMC decision to review the incentives on network businesses to operate their businesses in a manner that optimises overall network availability and network investment**

TRUenergy supports the AEMC's decision to review the incentives on network businesses to operate their businesses in manner that optimises the overall network availability and network investment.

The AEMC notes that the AER expects to commence a review of the Service Target Performance Incentive Scheme in the second quarter of 2011. As such, it intends to give consideration to the incentives around network operation to the extent that they affect the other work streams under the review, most notably the impacts of network availability on congestion. In this regard, we welcome the AEMC's endeavours to undertake more work in this area to the extent that it will benefit generators.

TRUenergy has previously supported strengthening the incentives on network businesses to better support market facing businesses. This interface remains one of the main sources of inefficiency in the current market arrangements.

**7. TRUenergy agrees it is prudent to investigate the merits of implementing a congestion pricing regime applied on a localised time limited basis further**

TRUenergy supports further investigation of the merits of implanting a congestion pricing regime to be applied on a time limited basis.

However, we agree with the AEMC that a major drawback in the introduction of these schemes is the implications for contracting, and the issue of allocating residue or rights to manage basis risk and their overall complexity. As such, we believe that proposed solution needs to be proportionate to the problem identified. We would not support a scheme of disproportionate complexity to resolve localised congestion in the NEM if it undermined longer term investment processes. Therefore, we suggest that the AEMC consider carefully the risks and benefits of implementing such complex arrangements before recommending any such a scheme.

**8. TRUenergy supports the AEMC's decision to revisit the current connection arrangements on the basis it currently fails to meet the needs of the market**

TRUenergy agrees that there currently exist some significant challenges with the connection framework in electricity transmission in the NEM. These issues relate to the difficulties typically faced by generators in the process of negotiating connection to the transmission network with TNSPs. In our experience, it has sometimes proved difficult to effectively negotiate technically, timely, and an economically efficient connection to a TNSPs network. As such, we agree there is a definite need to revisit the current connection arrangements in the NEM as they apply to TNSPs.

As part of our submission to the Directions paper, we will focus on four key areas of the connection framework. This includes the:

- connection process itself
- classification of connection services &
- efficient allocation of costs to network connection assets
- Victorian specific issues

**a) Connection process**

The NER contemplates a three stage process for the negotiation of a new connection. The first stage commences with the connection inquiry, the second with an application to connect and the third with an offer to connect.

Given our experience of connecting generators to the NEM, we identified some problems relating to the efficiency and timeliness of the connection process. In addition, we have always felt that there has been an imbalance in the bargaining power when negotiating with a monopoly service provider during the connection process. So, It is important that rule makers recognise and ensure appropriate protection for customers of monopolies (including generators) in regulatory regimes.

Therefore, we support change s to the connection framework that will help improve the efficiency and timeliness of the connection process itself. In this regard, we encourage the AEMC to develop incentives on TNSPs to improve the connection process. We support the development of these incentives with the following principles in mind that include:

**i. Efficiency**

TRUenergy considers the connection framework should include a high level principle to ensure that connection is achieved in an efficient manner. In our experience to date, we consider that NSPs have probably taken more time that necessary in order to complete a connection process. As a result, we have been unable to negotiate technically and economically efficient outcomes in an efficient manner. Therefore, we consider that that the overall efficiency of the connection process needs to be improved. Thus, we support the inclusion of this principle in the connection framework.

## **ii Timeliness**

TRUenergy believes the connection framework should include a high level principle to ensure that connection is achieved in a timely manner. Whilst we understand that a degree of flexibility should be provided to TNSPs to respond to individual requirements, we believe the discretion afforded to NSP in the connection process maybe unnecessarily delaying the connection process. It could be that the connection process includes more prescriptive time periods for the commencement and finalisation of negotiations, with the requirement for each party to make reasonable endeavours to adhere to those timeframes. However, we believe that the rules need to be adjusted to get the right balance between more prescription and greater flexibility to ensure that generators are able to connect in a timely manner.

## **iii. Avoiding unnecessary delays**

TRUenergy submits the connection framework should include an over riding principle that states it should not lead to unnecessary delays.

Delays in connecting a generator can be costly to a generation project. In our experience, the network investment required to build and construct the connection asset represents a small part of the overall part of any generation investment. Yet, in the past, we have found that this part of the project usually takes the longest time to complete. It could be that this is an outcome of dealing with a monopoly.

## **iv: The requirement to agree on fair and reasonable terms**

TRUenergy considers that there has always been an imbalance in the bargaining power when negotiating with a monopoly during the connection process. Therefore, in negotiating a connection contract with a monopoly, it has always proved difficult to get concessions from that monopoly when finalizing the connection contract. Thus, in negotiating any connection agreement, we have always felt that we absorbed an unnecessary allocation of liability in the connection contract. Perhaps this is not surprising given the lack of bargaining power a generator has when negotiating with a monopoly.

Finally, we envisage that some form of standard connection agreement covering all matters that are not specific to a particular connection is developed. Whilst it would be possible to negotiate variations to these terms and conditions, mutual agreement would be required to do so. And, in the absence of such an agreement, the standard terms would then apply. It could be that the AER would be required to approve the standard terms and conditions of this standard agreement.

## **b) Classification of services**

TRUenergy believes that there is a lack of clarity surrounding the connection arrangements, and, in particular, how new assets required for the purpose of connection are classified and thus funded. This lack of clarity comes from the fact that chapter 5 of the NER deals with the process to connect, where as chapter 6A of the NER regulates the provisions of transmission services which assume that an asset already exists. Thus, the regulatory treatment of new connection assets is open to interpretation by TNSPs. As a result, TNSPs take different approaches to the construction of new assets in connecting generators and may draw a distinction between the classification of these services of the construction of the assets & the services that are provided by the assets once they are constructed.

TRUenergy has considered this area of the NER carefully. Under our interpretation of the National Electricity Rules (Rules):

- Generator connection services will either be negotiated services or prescribed entry services under the transitional provisions in clause 11.6.11 of the NER. The costs of replacing pre-2006 connection assets would still be allocated to prescribed entry services in the future. Therefore, these connections assets will continue to be classified as prescribed services in the NER.

Connection services are therefore not unregulated. Negotiated transmission services include connection services serving a generator at a single connection point.

- Generator transmission use of system (TUOS) services could be either negotiated or prescribed transmission services. Where a generator receives a service that is above or below the prescribed network performance requirements of chapter 5 of the NER, then that service will be a negotiated transmission service. In addition, to the extent that a network augmentation or extension is required to support a power transfer capability, then the service provided will be negotiated.

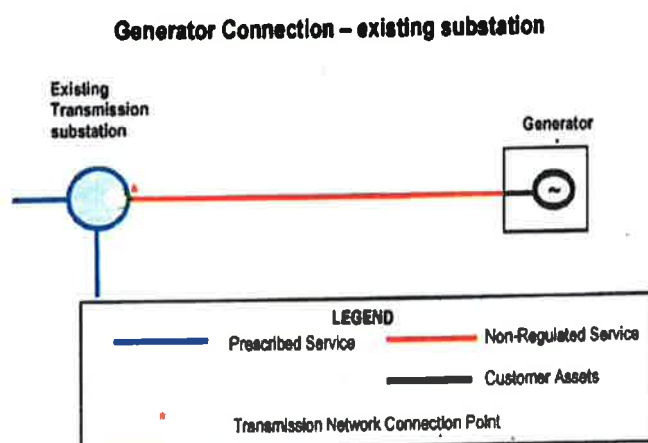
## i. Grid Australia

### Extensions

Grid Australia considers that the construction and ownership of an extension <sup>2</sup>- beyond the shared network - is a “contestable service” and that a contestable service is unregulated. As we have indicated above, in our view the extension will still remain a connection service which is a regulated service, because it falls within the definition of either prescribed entry services or negotiated transmission services.

We can see that in some circumstances, if the ‘agreed’ connection point was determined to be on the existing shared network and the TNSP agrees to construct and operate the extension between the transmission network connection point and the generator supply point <sup>3</sup>(see Diagram A), then it could be possible to characterise the transmission service that was provided by the new line as a “contestable service” Thus, the ownership of that line would be open to a third party.

**Diagram A**



<sup>2</sup> An augmentation that requires the connection of a power line or facility outside the present boundaries of the transmission or distribution network owned, controlled or operated by an NSP

<sup>3</sup> This does not refer to the defined term in the NER. In this context, the generator supply point represents the entry point where energy is transmitted from the generator into the extension asset

However, as long as the service provided by the extension falls within the definition of the negotiated transmission service, then it will be subject to regulation. So, the only impact in terms of the contestability of the ownership of the extension is that the TNSPs must in response to a connection inquiry advise that the ownership of the asset is contestable.

Importantly, as the service provided by the extension is classified as a negotiated service, then the service itself will be subject to the negotiate/arbitrate form of regulation. In short, this means that in the event of a dispute in relation to price, the user of that service would have the option to go to an independent arbitrator. There, the arbitrator can decide the terms and conditions on which the TNSP is required to offer to provide a negotiated service. The arbitrator is required to do this in 30 days.

The extension itself (described above) will be part of the transmission system. Thus, the TNSP that provided it would need to be registered or exempted under the NEL.

TRUenergy considers that it would have the following options available to it in connecting a generator with Grid Australia when there is a need for an extension to be built.

\*Options for developing a transmission line beyond the shared network when negotiating with Grid Australia

1. Build, own & operate the extension ourselves.
  2. Build, and transfer the extension to the Grid Australia TNSP. The existing TNSP would then charge TRUenergy an operational & maintenance charge over the life of the asset.
  3. Direct a third party to build, own & operate the extension. The asset owner would then charge TRUenergy a tariff for the use of the asset. The service provided would be a negotiated service – and it would fall under the negotiate/arbitrate form of regulation.
- \* If we were unhappy with the terms and conditions of the offer, we could go to arbitration where an independent arbitrator would set the terms and conditions on which the services would need to be offered within 30 days.

## Augmentations

Generator transmission use of system (TUOS) services could be either negotiated or prescribed transmission services.

Where an augmentation<sup>4</sup> to the shared network provides a service that is above or below the prescribed network performance requirements of chapter 5 of the NER, then that service will be a negotiated transmission service. As mentioned above, in the event of a dispute on price, the user of that service would have the option to go to an independent arbitrator. There, the arbitrator can decide the terms and conditions on which the TNSP is required to offer to provide a negotiated service.

In the example cited above (Diagram A), were the 'agreed' connection point moved to the generator supply point, then the augmentation would be classified as a transmission use of system service. In this case, the augmentation would provide a negotiated service that formed part of the shared network.

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<sup>4</sup> Augmentation of a transmission or distribution system means works to enlarge the system or to increase its capacity to transmit or distribute active energy

## ii. Victoria

### Extensions

TRUenergy considers that the ownership of an extension - beyond the shared network - should not involve AEMO.

As previously discussed, if the 'agreed' connection point is determined to be on the existing shared network and a TNSP (or third party) agrees to construct and operate the extension between the transmission network connection point and the supply point (See Diagram A), then the ownership of that service could reside in a third party. We note that under clause 5.3.6 (d) of the NER a TNSP is required to use its reasonable endeavours to make an offer to connect in accordance with the connection applicant's reasonable request. Thus, if it was deemed to be reasonable, it could be open to both parties to agree on a connection point for a particular connection to be located up on the shared network

If an extension was considered to be separable from the shared network in Victoria (See Diagram A) and the parties agreed to this outcome, then the Generator would get the opportunity to procure the connection assets itself. It would then get more direct control of the tender process and access to the competitive construction sector to bypass the less competitive build-own-operate market. In addition, this would allow the Generator to more directly manage time and construction risks associated with the construction phase, which would ultimately reduce connection costs (and therefore long term energy prices).

Whilst we accept that the ownership of the extension beyond the shared network becomes the responsibility of the generator to supply if the parties agree, as we have indicated earlier, we consider the connection service provided by this extension would be a regulated service, because it falls within the definition of either prescribed entry services or negotiated transmission services.

Importantly, as the service provided by this asset is classified as a negotiated service, then the service itself will be subject to the negotiate/arbitrate form of regulation. In short, this means that in the event of a dispute in relation to price, the user of that service would have the option to go to an independent arbitrator. There, the arbitrator can decide the terms and conditions on which the TNSP is required to offer to provide a negotiated service. The arbitrator is required to do this in 30 days.

TRUenergy considers that it would leave us with the following options available to it in connecting a generator with AEMO in Victoria when there is a need for an extension to be built beyond the shared network.

#### \*Options for developing a transmission line beyond the shared network when negotiating with AEMO in Victoria

1. Build, own & operate the extension ourselves.
2. Build, and transfer the extension to a TNSP. The TNSP would then charge TRUenergy an operational & maintenance charge over the life of the asset
3. Direct a third party to build, own & operate the extension. The asset owner would then charge TRUenergy a tariff for the use of the asset. The service provided would be a negotiated service – and it would fall under the negotiate /arbitrate form of regulation.

In some situations AEMO may look to control this process (i.e. if it considers the extension to be an augmentation on the shared network.). As noted earlier, this outcome will depend on where both parties agree that the connection point will be.

TRUenergy is of the view that the generator should have the option to control this process, as the generator will pay all costs and is in a better position to manage broader project risks than AEMO.

\* If we were unhappy with the terms and conditions of the offer, we could go to arbitration where an independent arbitrator would set the terms and conditions on which the services would need to be offered within 30 days.

## **Augmentations**

Generator transmission use of system services could be either negotiated or prescribed transmission services.

Where an augmentation<sup>5</sup> to the shared network provides a service that is above or below the prescribed network performance requirements of chapter 5 of the NER, then that service will be a negotiated transmission service. As mentioned above, in the event of a dispute on price, the user of that service would have the option to go to an independent arbitrator. There, the arbitrator can decide the terms and conditions on which the TNSP is required to offer to provide a negotiated service.

In Victoria, if the 'agreed' transmission network connection point moved from the existing shared network to the generator supply point, then the augmentation would be classified as transmission use of system service. In this case, the augmentation would provide a negotiated service that formed part of the shared network. (See Diagram A above)

Under clause 8:11 of the NER, this augmentation will be contestable if its capital costs is reasonably expected to exceed \$10M. For augmentation below this threshold, AEMO will direct the incumbent TNSPs to undertake such augmentations.

In relation to contestable augmentations, we understand that AEMO put these augmentations out to tender. As we understand it, the tender should reflect a competitive outcome for the services required from the tender. And, in this regard, there have been successful third parties win tenders. However, to date, we understand that SP AusNet has been the successful party in many of these tenders. In our view, this could indicate that there is a lack of real competition.

Therefore, we would welcome much further debate in relation to how we might improve the competitive tender process in Victoria.

### **c) Efficient allocation of network costs**

TRUenergy believes that level of transparency in relation to how costs are allocated to specific assets in the connection process needs to improve. Whilst we understand that TNSPs have an approved cost allocation methodology that is required to comply with Section 6A.19.2 of the NER, in our experience to date, we have found that the allocation of costs in the connection process is an opaque process. We are concerned at how costs are allocated to connection assets that provide negotiated services.

For example, in relation to augmentations to the shared network undertaken by a Grid Australia TNSP for a generator, we consider that it is may be difficult to determine whether the TNSP was allocating costs from the shared network to an augmentation<sup>6</sup> providing a negotiated service for a generator. Importantly, we are not suggesting that this practice occurs. We are simply arguing that there is a lack of information to provide us with sufficient comfort that this conduct will not occur.

Therefore, we suggest that there maybe some scope for "tightening up" the cost allocation provisions in the NER. This could include both the specified negotiated services criteria and the more detailed costs allocation

<sup>5</sup> Augmentation of a transmission or distribution system means works to enlarge the system or to increase its capacity to transmit or distribute active energy

<sup>6</sup> An augmentation to the shared network which provided a service above or below the prescribed network performance requirements of chapter 5 of the NER

criteria in the NER. Whilst we agree that it is almost inevitable that the allocation of some costs to the provision of some particular services will require some degree of judgement, we believe that it is important to ensure that the augmentations do reflect efficient costs.

Finally, we understand that an augmentation to the shared network (described above) would provide a negotiated service. Hence, we could go to arbitration where an independent arbitrator would set the terms and conditions on which the services would need to be offered within 30 days. However, because connection applicants typically face significant time pressures to complete their broader generation project, there are highly unlikely to opt for a 30 day pause in connection negotiations to conduct a arbitration on terms even if they would normally be regarded as unacceptable. This is a fact that a canny TNSP is well aware of, a fact that undermines any theoretical protection to generators related to the threat of arbitration.

#### **d) Victorian specific issues**

TRUenergy agrees that there are significant differences in the way in which the connection rules in the NER are applied in different jurisdictions. Thus, there is a lack of national consistency in the application of the connection arrangements.

The AEMC articulated its concerns regarding the connection framework in Victoria in the Directions Paper specifically in relation to the:

- tripartite contractual arrangements
- third party liabilities
- the imposition of additional obligations on generators in the construction of terminal stations

TRUenergy understands that AEMO are currently consulting with the market to improve the connection environment in that jurisdiction. To this end, we support their endeavours in that regard. However, we believe that it is likely that the AEMO review and the TFR will overlap in many areas. In our view, we believe that it is important to ensure that both reviews deliver consistent recommendations to ensure that Victoria and the NEM develop a consistent connection framework. In addition, we believe that any recommendations in the AEMO review should be consistent with the outcomes in the other jurisdictions. In this regard, we consider that it is important that AEMO and the AEMC consult on any major developments that might arise from both reviews.

## **D: Conclusion**

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TRUenergy appreciates the opportunity to provide a submission to the TFR.


We consider that the AEMC has framed and structured the issues in an appropriate manner to help deliver the necessary changes to the transmission framework as part of this review.

Importantly, we reemphasize the key point that in our view the sector faces an unprecedented risk in the next few decades with the impending exodus of existing generators due to a carbon price, especially if the government fails to implement the correct settings for that price. In the context of this debate, we urge the AEMC extreme caution in designing any policy outcomes in transmission that could possibly lead to a further exodus of existing generation investment in our sector.

We look forward to working with the AEMC in the TFR to address some of the issues discussed in this paper with some more in depth analysis. In this regard, we look forward to receiving the AEMC's First Interim Report later this year which will set out a number of comprehensive "policy packages" which will provide a spectrum of potential options for stakeholders to consider.

We thank the AEMC for its consideration of the issues that we have raise. If you have any enquiries regarding this submission, please feel free to contact Mr. Con Noutso - Regulatory Manager at TRUenergy on Tel: 03 8628 1240

Regards

A handwritten signature in black ink, appearing to read 'Con Noutso', written in a cursive style.

Con Noutso  
Regulatory Manager  
TRUenergy