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Government
of South Australia

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Mr John Pierce
Chairman
Australian Energy Market Commission
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Dear Mr Pierce

Thank you for the opportunity to comment on the Australian Energy Market Commission's (AEMC) *Review of Transmission Frameworks – Issues Paper*.

The South Australian Government recognises this review as critical to ensuring the transmission sector continues to provide reliable and efficient electricity service delivery to meet the long term interests of consumers.

South Australia's privatised transmission network that is owned and operated by ElectraNet has an important role in the transition to a low carbon economy with the accelerated investment of renewable energy in the State.

There are currently 12 wind farms totalling 907 MW of installed capacity in South Australia with the 2010 Electricity Statement of Opportunities indicating some 1,768 MW of wind farms in the advanced or publicly announced phase of development. The South Australian Government has announced a target of 33% of generation will come from renewable sources by 2020.

As indicated in my previous submissions to the AEMC Congestion Management Review there is a need to develop transmission frameworks to support a sustainable congestion management regime.

The Electricity Supply Industry Planning Council now integrated within the Australian Energy Market Operator (AEMO) confirmed in its 2009 Annual Planning Report that increased wind capacity investment has resulted in constraints of the mid-north and the south east of the State. This is likely to increase unless it is actively managed under the National Electricity Rules.

There is an urgent need to develop a framework that provides the correct incentives for new generators to locate in uncongested parts of the network.

It is also important that frameworks provide sufficient incentives in both transmission and generation to invest where and when it provides the most efficient solution. In developing the frameworks it is critical to align transmission revenue incentives, pricing, investment and operational incentives with market impacts to minimise the overall cost of electricity to customers.

Connection charges should reflect the true costs of any deeper network reinforcement that may be required to maintain existing access to the network and designed to provide a flexible long term signal to potential new generation.

The South Australian Government supports the two MCE proposed Rule changes of inter-regional transmission charging and Scale Efficient Network Extensions. It is important that these Rule changes are progressed expeditiously as to not impede the provision of new investment in both renewable and conventional generation.

I have requested that Mr Vince Duffy, Executive Director of the Energy Division of the Department for Transport, Energy and Infrastructure contact you to further discuss the South Australian issues.

Yours sincerely



HON PATRICK CONLON MP
MINISTER FOR ENERGY



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