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Via email: submissions@aemc.gov.au

Dear Dr Tamblyn

I write on behalf of the NSW Government in relation to the Australian Energy Market Commission's 2nd Interim Report on the Review of Energy Market Frameworks in light of Climate Change Policies. Our comments at this time are limited to the findings on connecting to remote generation.

On 27 February 2009, the NSW Premier, Nathan Rees, announced that Wind Renewable Energy Precincts (Wind Precincts) would be established in NSW to support the further development of clean, renewable energy projects. Development proposals within the Wind Precincts will be subject to streamlined planning and approvals processes. In addition, projects generating more than 30 megawatts of power will benefit from "critical infrastructure" status.

The NSW Government is also strengthening the relationship between Government and industry by creating green 'go-to' people to assist renewable energy investors. Dedicated project managers will work with the Department of Planning and renewable energy investors from concept stage to commissioning.

In developing the Wind Precincts model the NSW Government consulted closely with the wind development industry on actions the government could take to further support the development of wind generation in NSW. One of the key issues raised by industry was the current grid connection process contained in the National Electricity Rules (NER).

The NSW Government therefore welcomes the work of the AEMC, and supports in-principle the draft findings and recommendations on connecting remote generation.

The new framework for the efficient connection of remote generation and the Wind Precincts initiative strongly complement each other. The Wind Precincts and associated reforms are designed to encourage the development of new wind generation in common areas in reasonable proximity to the grid. This may well lead to a clustering of new connections that would benefit from the revised NER framework.

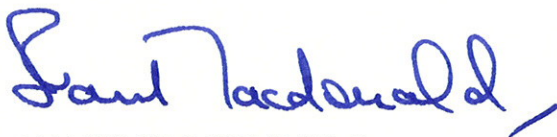
The NSW Government expects that the establishment of Wind Precincts in NSW would inform identification of candidate zones by the Australian Energy Market Operator (AEMO) and indicative planning of possible connection lines by Network Service Providers (NSP).

With respect to the detail of the framework, NSW makes the following comments. It is important that the framework clarifies at what time the Network Extension for Remote Generation (NERG) are added to the NSP's regulated asset base. It seems consistent with the risk allocation principles adopted by the AEMC that the NERG is automatically incorporated into the regulated asset base of the NSP upon construction (if it is not already in the capital expenditure allowance), and customers pay for the surplus capacity at that point.

NSW's experience emphasises the importance of educating the renewable energy industry about their obligations and requirements in the connection process, under the NER. It will therefore be important that the results of the AEMC Review are effectively communicated.

If you require further information on this matter, please contact Damian Jeffree, Energy Advisor, in my office on (02) 9228 3344.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Ian Macdonald', with a stylized flourish at the end.

**IAN MACDONALD MLC
MINISTER FOR ENERGY**