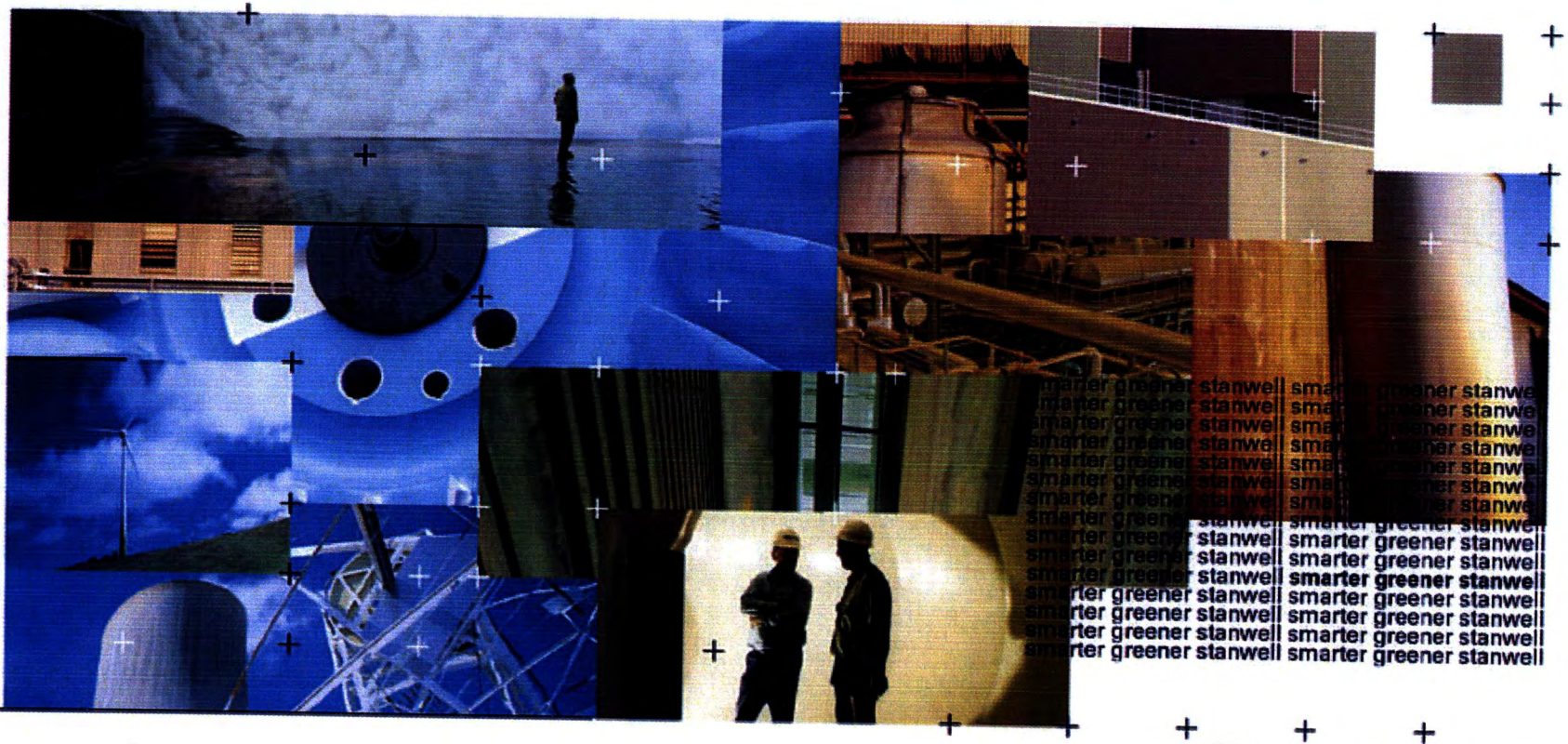
National Electricity Rules: Rule Change Application

Rules to establish a comprehensive inter-participant framework for addressing network reconfiguration



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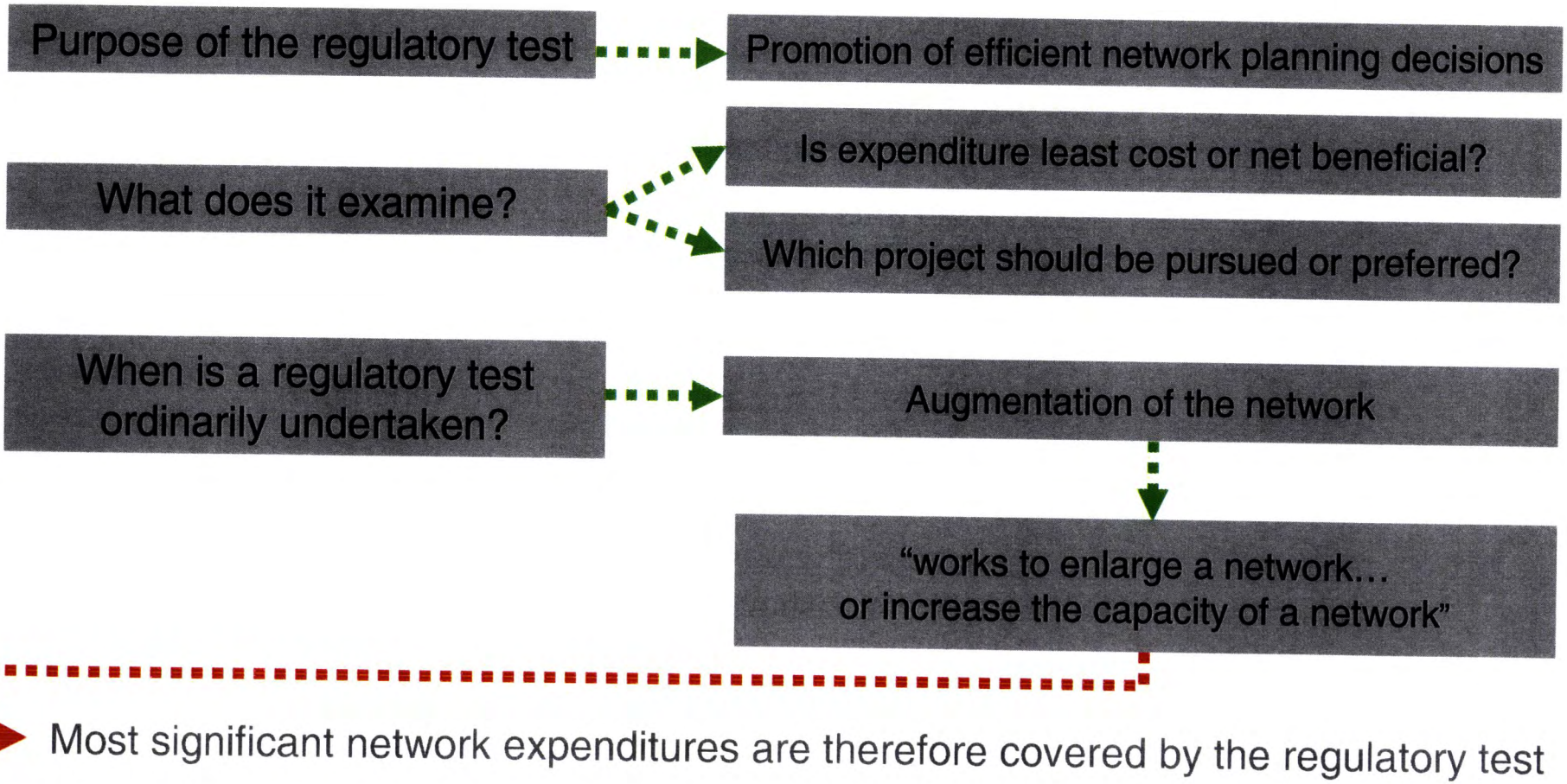
Overview of today's presentation

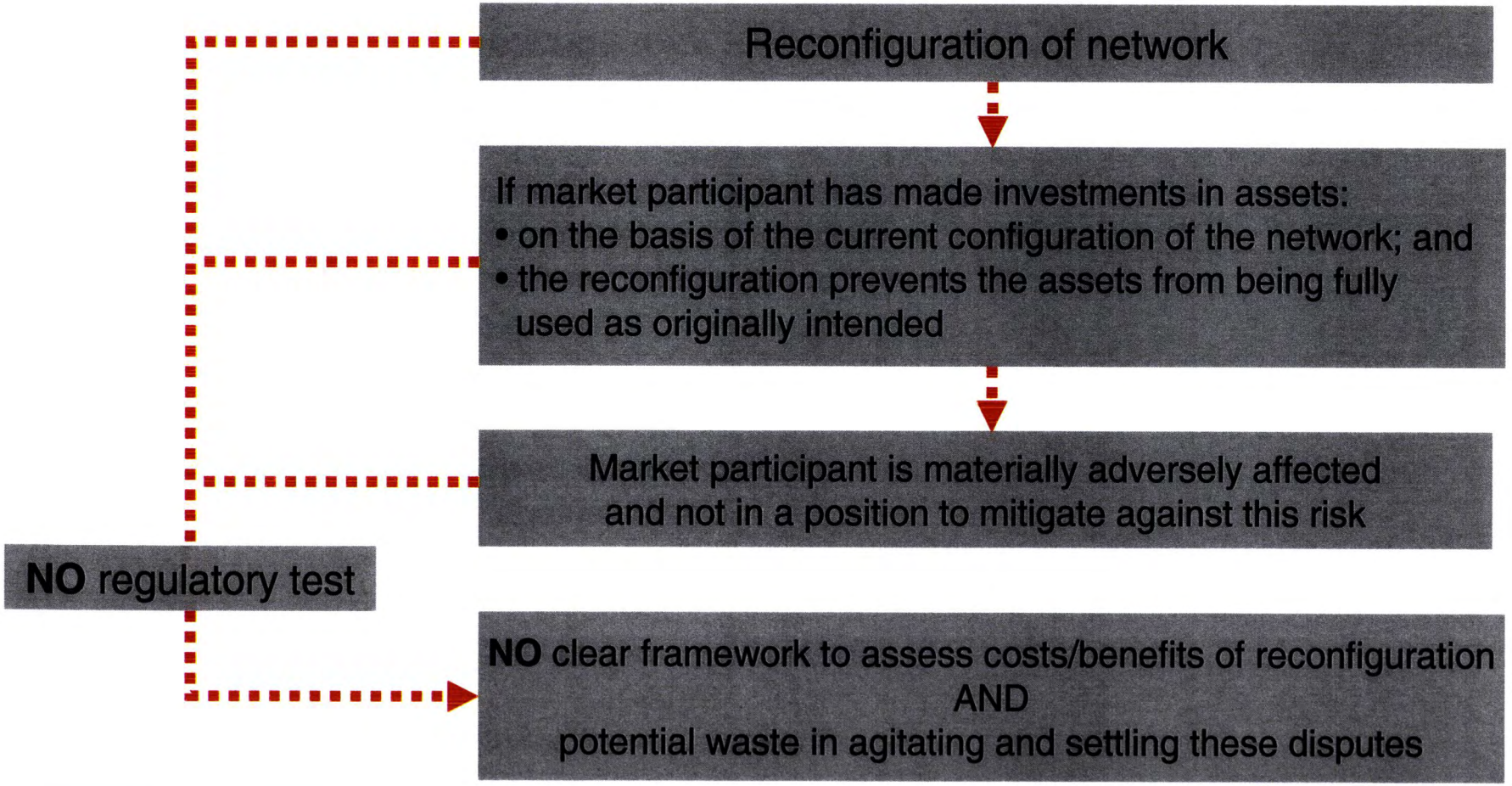
- Outline of current rules and why there is a "gap"
- Case Study: Kareeya Power Station
- Design principles adopted by Stanwell in developing the comprehensive framework
- Details of the proposed rule change

The Rules assume the network is expanding

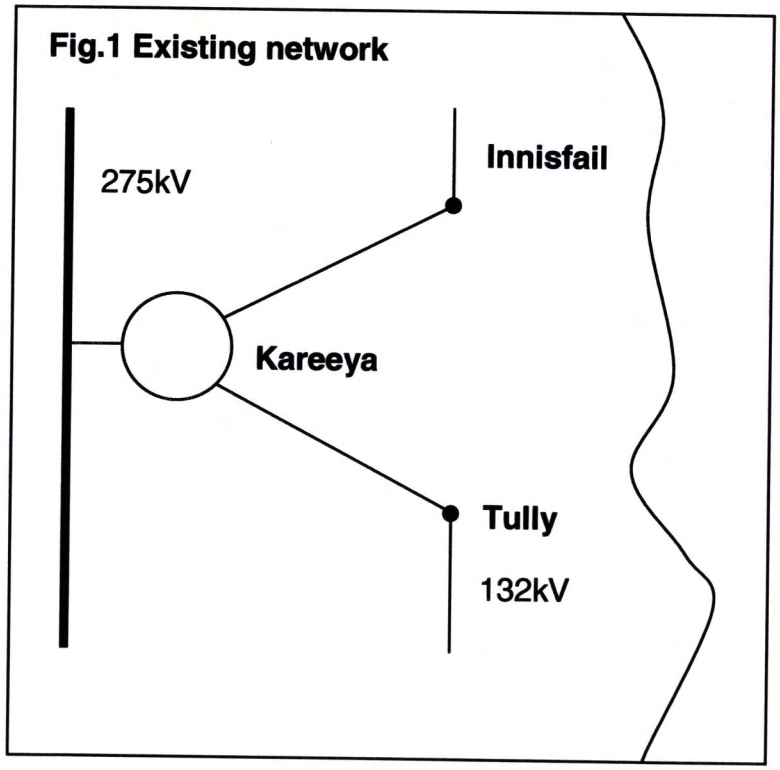


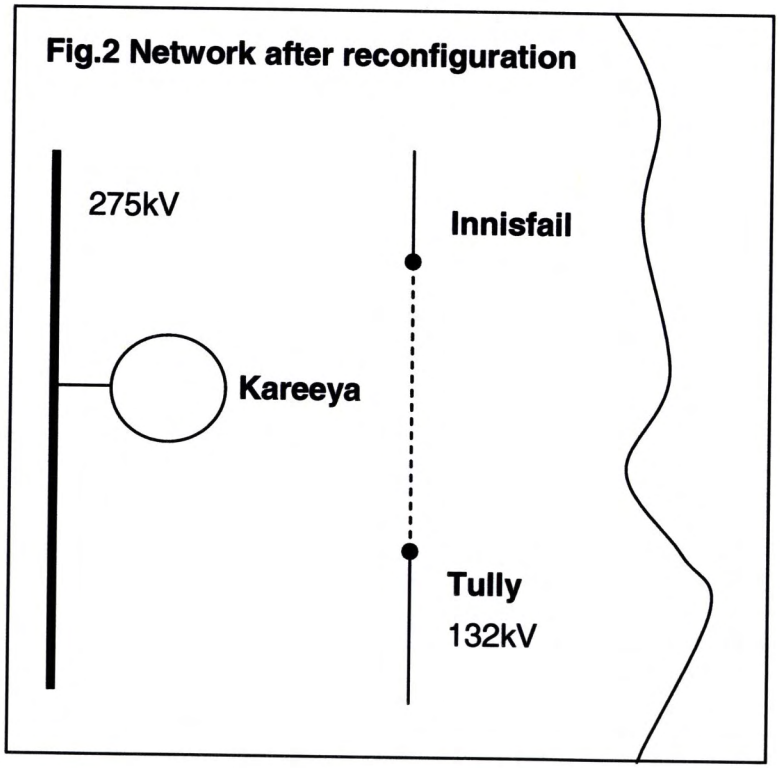
Not all changes to the network involve expansion

Changes may also be a like-for-like replacement or a reconfiguration



The Kareeya Power station





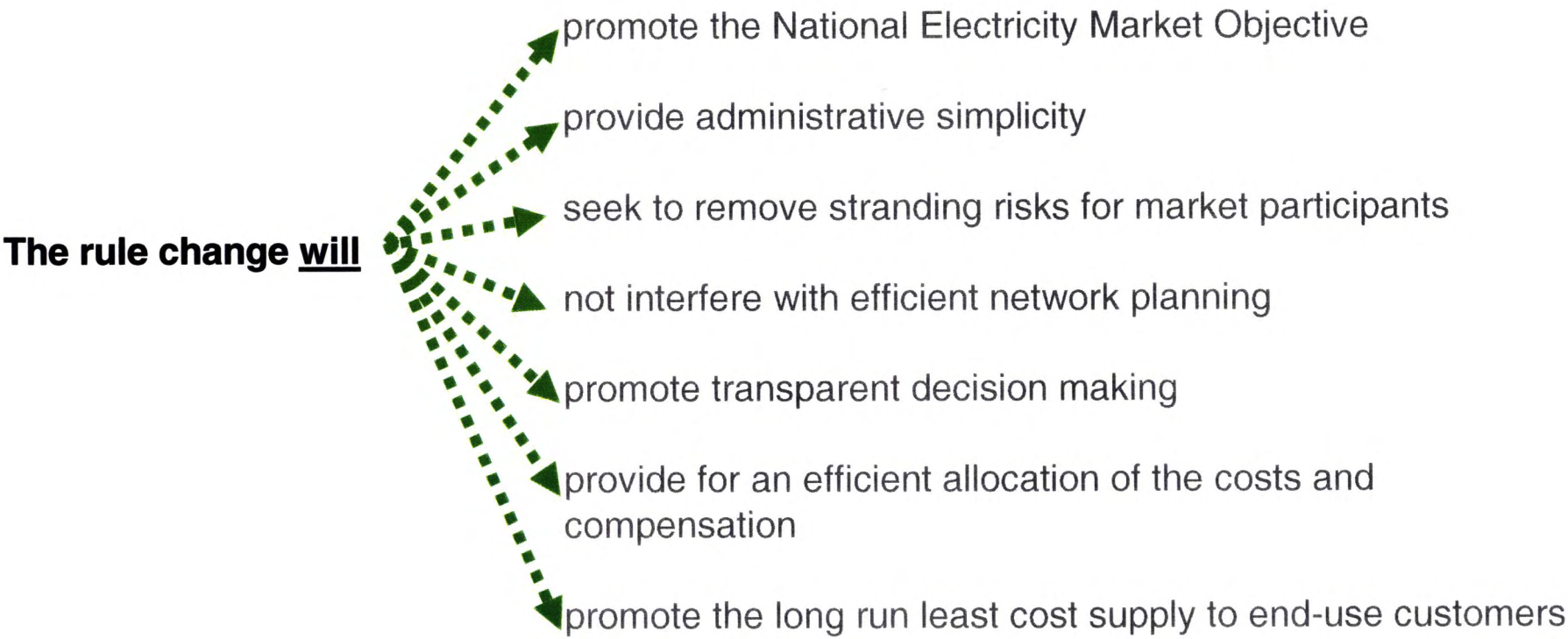
Three parts to a Comprehensive Framework

Each part of the framework is important in its own right

1. Draft Rule 6A.19.2(a)(7)
2. Application of the regulatory test to reconfigurations
3. Through compensation provide for an optimal re-allocation of costs and benefits

The rule change – Design Principles

In drafting the rule change, Stanwell had in mind the following design principles:



The rule change – When would it apply?

TNSP plans works to permanently re-route the path of the *transmission network* or modify the technical capabilities or usability of the *transmission network* for network users

TNSP estimates it will invest a total capitalised expenditure in excess of **$10 million**

or

TNSP has been advised by a *market participant* that it will incur a cost/forgo revenue in excess of **$1 million**

The rule change - Who is an "*affected participant*"?

- An *affected participant* is a *Market Participant* who informs a *TNSP* within 60 days of the publication of the *TNSP's Annual Planning Report* that it will either:

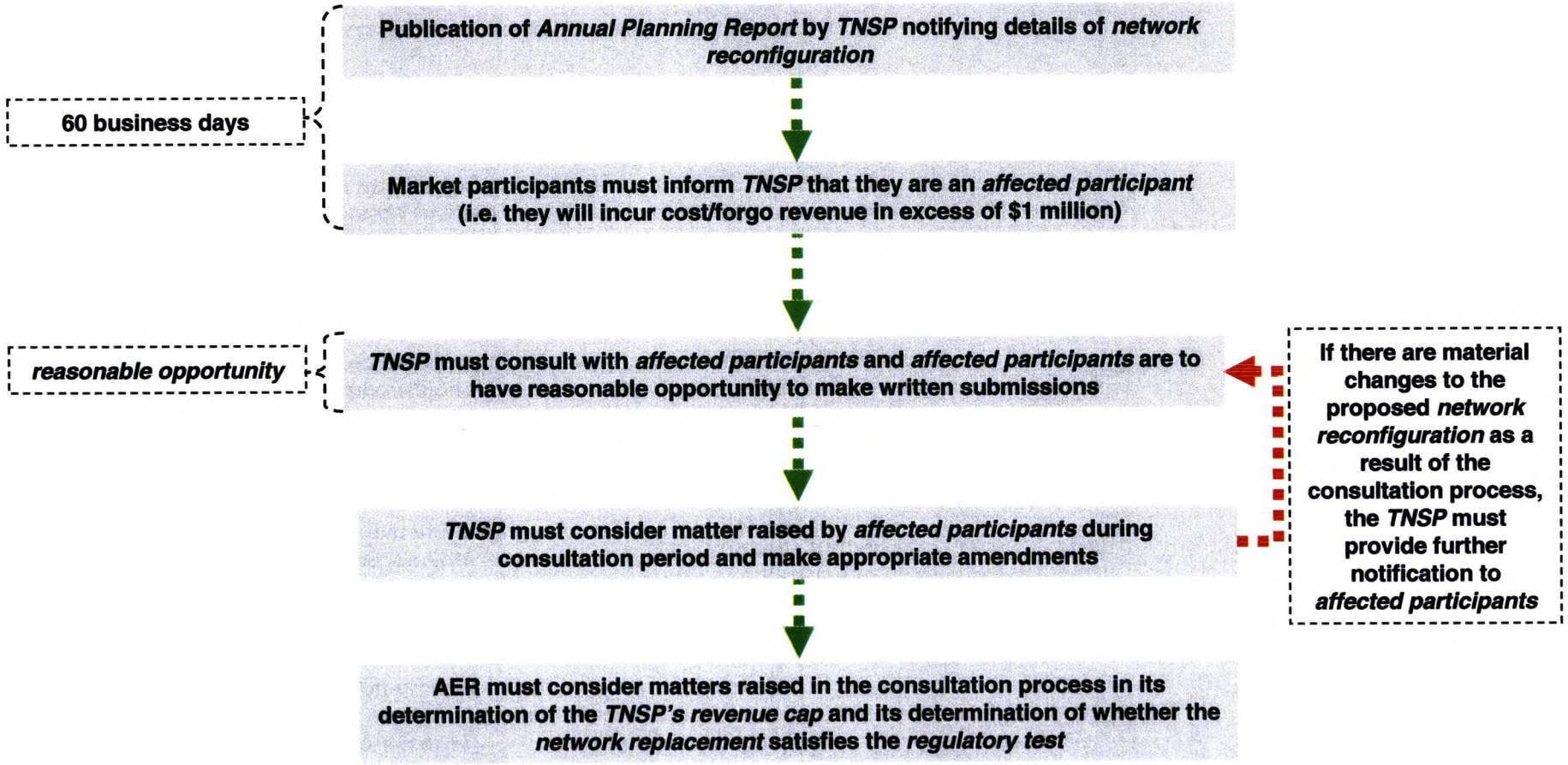
  ➔ incur a cost in excess of $1 million

  OR

  ➔ incur a loss of revenue in excess of $1 million

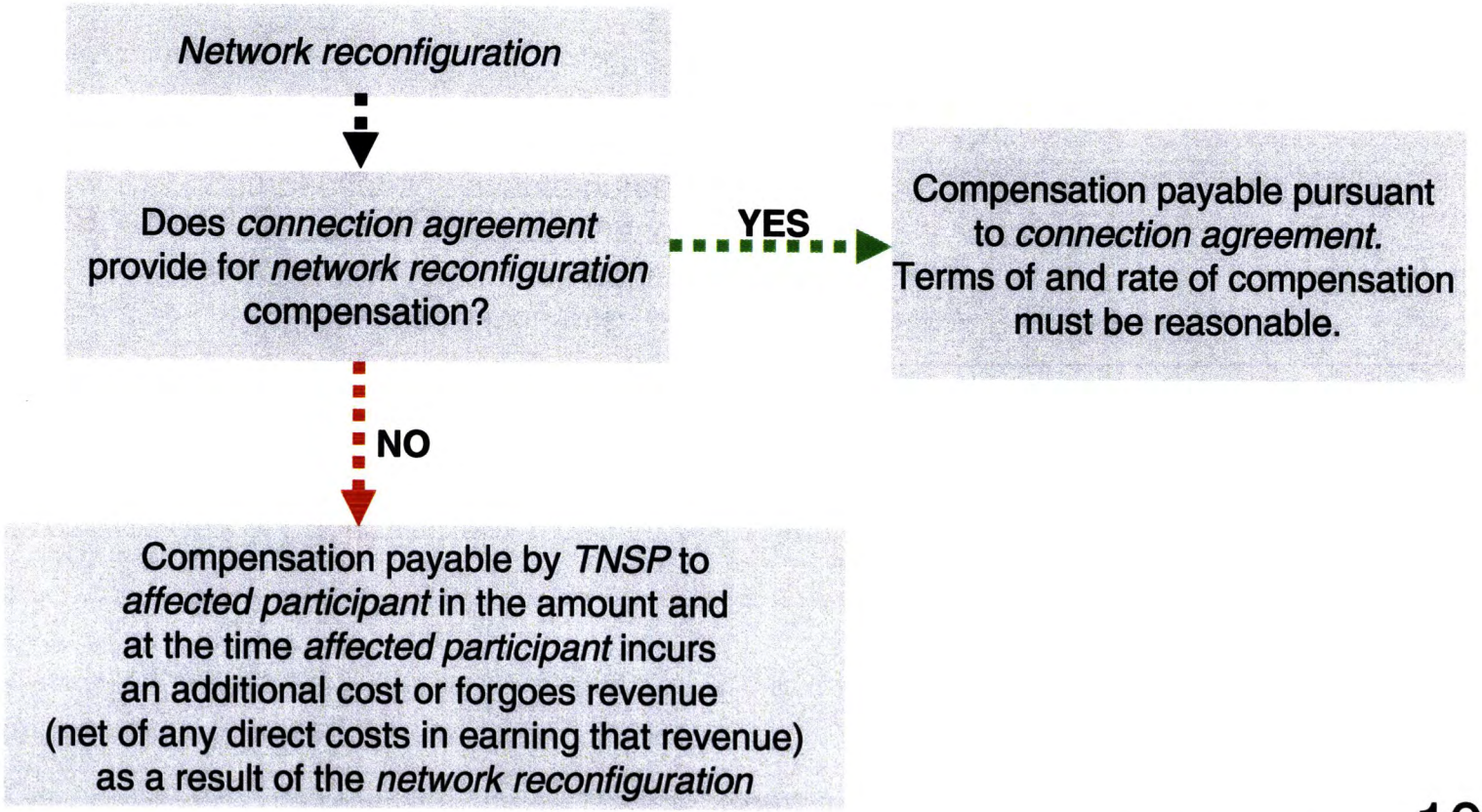
  as a result of a proposed *network reconfiguration*

The rule change – Streamlined consultation



The rule change - Compensation

How is compensation paid?



The rule change - Compensation

How is the cost of compensation allocated efficiently?

Scenario 1.
Prior to commencement of *regulatory control period* and setting of *Revenue Cap* for *TNSP*

Is the TNSP planning a *network reconfiguration?*

Yes

Is compensation payable to an *affected participant?*

Yes

Reasonable estimates as to any compensation payable to be included in *TNSP Revenue Proposal*

Revenue Cap Determination

Does the *TNSP* undertake a *network reconfiguration* where allowance for cost of compensation was not made in calculation of *Revenue Cap* determination?

Yes

Is compensation payable to an *affected participant?*

Yes

***TNSP* can seek approval of AER to pass through to *TNSUs* a *positive pass through amount* for costs of compensation**

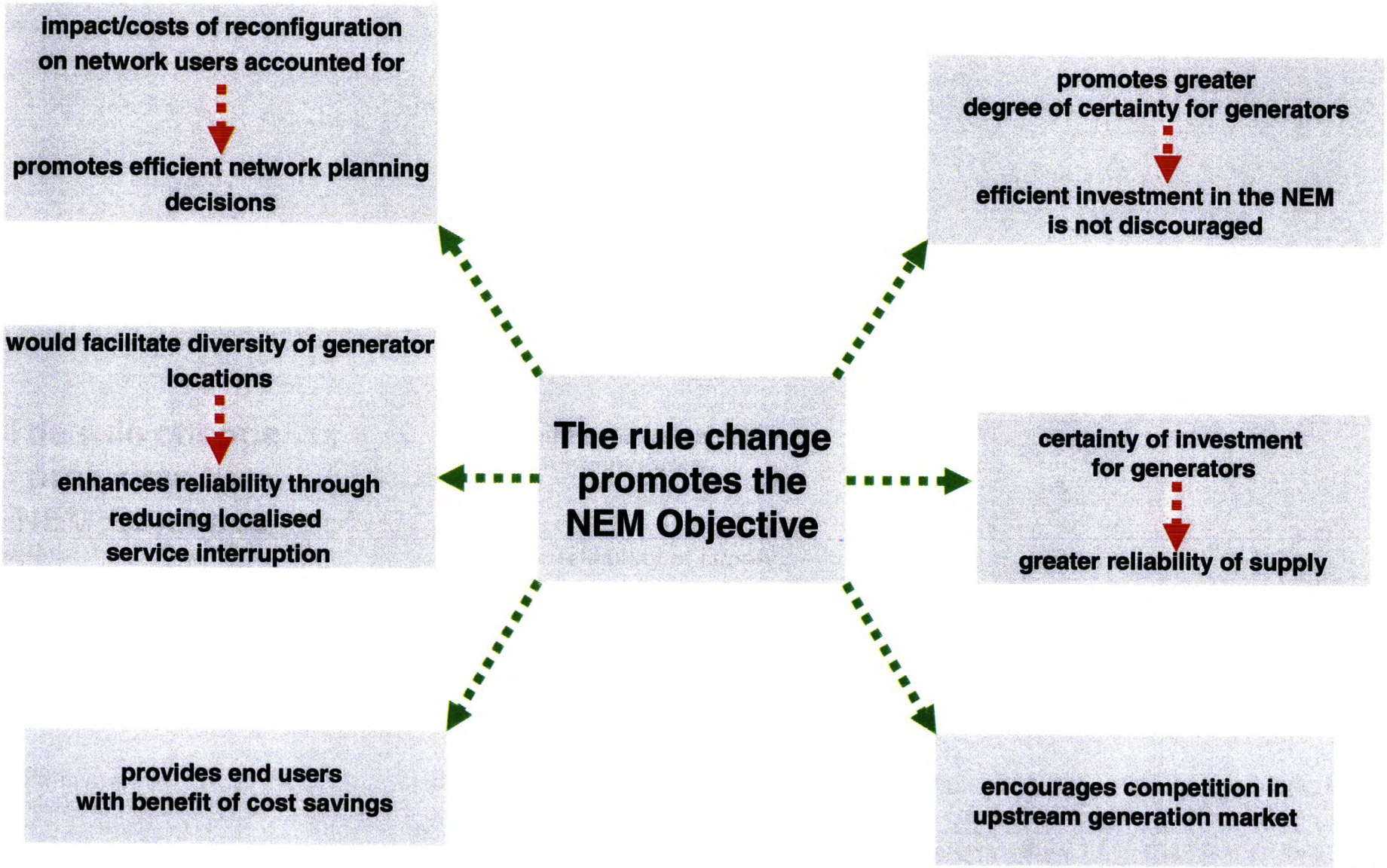
Scenario 2.
After commencement of *regulatory control period* and setting of *Revenue Cap* for *TNSP*

Submissions to the AEMC

- Stanwell has reviewed all of the submissions made to the AEMC in respect of the rule change and notes that:

  ➔ there is wide support for the rule change

  ➔ where participants have raised objections, these objections are either related to matters of detail that can be addressed or do not present adequate reasons as to why the rule change should not be adopted


impact/costs of reconfiguration on network users accounted for
promotes efficient network planning decisions
promotes greater degree of certainty for generators
efficient investment in the NEM is not discouraged
would facilitate diversity of generator locations
enhances reliability through reducing localised service interruption
The rule change promotes the NEM Objective
certainty of investment for generators
greater reliability of supply
provides end users with benefit of cost savings
encourages competition in upstream generation market