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REGULATOR

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14 November 2005

Mr Anthony Edmondstone  
Commercial Manager – Victoria Operations  
Alcoa Portland Aluminium  
PO Box 460  
Geelong Victoria 3220

FILE No: M2005/281
DOC: 905/70520
MARS/PRISM:

Dear Mr Edmondstone

#### Network Service Provider Exemption

Thank you for your letter of 14 September 2005 requesting a network service provider exemption, and the further information provided by Mr John Vendel by email on 22 September 2005.

On 28 October 2005, the Australian Energy Regulator ("AER") decided, pursuant to section 6 of the *National Electricity (Victoria) Act 2005* (Vic), section 13 of the *National Electricity (Victoria) Law* ("NEL") and clause 2.5.1 of the *National Electricity Rules* ("NER"), to grant the following persons ("the Applicants"):

- (a) State Electricity Commission of Victoria, a body corporate established under the *State Electricity Commission Act 1958* (Vic) trading as "VicPower Trading" ABN 58 155 836 293; and
  - (b) Alcoa Portland Aluminium Pty Ltd ABN 80 006 306 752 ("APA"),
- an exemption from:
- (c) the requirement to register as a Network Service Provider ("NSP"); and
  - (d) the operation of Chapter 5 of the NER,
- subject to the following conditions.

### *Specified transmission system*

1. The exemption is in respect of the transmission system that is owned and/or controlled by the Applicants and that comprises:
  - (a) the Portland aluminium smelter substation site; and
  - (b) the 220kV electricity assets connecting to the Portland Wind Energy Project (PWEF).

Note: The letter of 14 September 2005 attached a diagram of the proposed network configuration (Figure 1). Figure 1 is reproduced in the attachment to this letter. The assets covered by the exemption are highlighted. The exemption does not extend to the network assets that: are owned by SPI PowerNet Pty Ltd ACN 079 798 173; comprise the PWEF; are used exclusively in the operation of the smelter; or are not part of a transmission system.

### *Performance standards*

2. The Applicants must satisfy the requirements of:
  - (a) clauses 5.3.7(e) and (f) of the NER; and
  - (b) any other clauses of the NER necessary or incidental to the operation of clauses 5.3.7(e) and (f),

as if the Applicants were the NSP for the purpose of those clauses.

Note: The AER understands that Victorian Energy Networks Corporation (VENCorp) will forward the relevant performance standards to National Electricity Market Management Company Ltd (NEMMCO) on behalf of the Applicants.

### *Access by third parties*

3. If a third party requests access to the transmission system specified in condition 1, the Applicants must notify the AER of the request within 90 days of the request (unless the request is withdrawn prior to that date).

Note: As set out in condition 6(d), in the event that the AER is notified of an access request, the AER may decide to vary or revoke the exemption.

### *Changes to the network*

4. If there is any material variation to any part of the network configuration of the 500kV and 220kV assets shown in Figure 1 and attached to this letter, the Applicants must promptly notify the AER.

Note: Condition 4 is not limited to the assets that are specified in condition 1.

### *Commencement and expiry*

5. The exemption takes effect on and from 28 October 2005.

6. The exemption ceases to operate on the date that:
- (a) one or more of the Applicants ceases to comply with the relevant requirements of the State of Victoria for the licensing or exemption from licensing of the transmission system specified in condition 1;
  - (b) the transmission system specified in condition 1 ceases to be maintained at least to the standards specified in the use of system agreement with VENCORP or the connection agreement with SPI PowerNet Pty Ltd ACN 079 798 173 as appropriate;
  - (c) one or more of the Applicants fails to comply with condition 2, 3 and/or 4; or
  - (d) the AER decides to vary or revoke the exemption.

Note: For example, in the event that the AER is notified, in accordance with condition 3, of an access request, the AER may review, and revoke or vary the exemption.

#### *Interpretation*

7. In these conditions, unless the contrary intention appears, a reference to:
- (a) a statute, regulation, law, rule or other law includes regulations and other instruments made under it and consolidations, amendments, re-enactments or replacements of any of them;
  - (b) a reference to an agreement or a provision of an agreement includes an amendment or supplement to, or replacement or novation of, that agreement or that provision of that agreement;
  - (c) except in relation to references to the Applicants, a particular person includes a reference to the person's successors, substitutes (including persons taking by novation) and assigns.

Thank you for your assistance in this matter. Should you have any queries in relation to this letter, please do not hesitate to contact Paul Dunn on (03) 9290 1426.

Yours sincerely

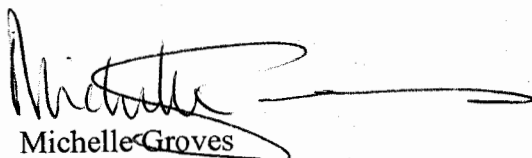
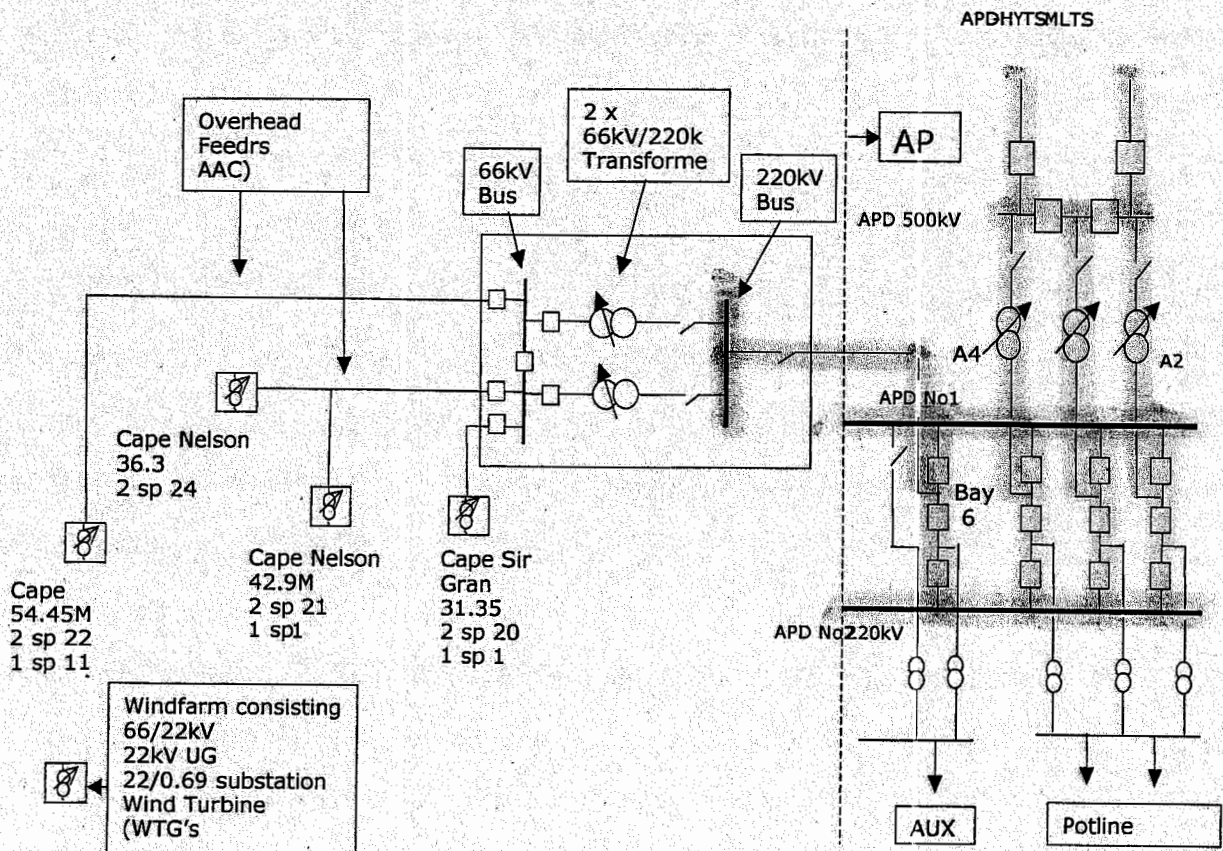
  
Michelle Groves  
Chief Executive

Figure 1 – Connection Point Single Line Diagram



PWEP ASSETS

ALCOA ASSETS