

ACCC Transgrid Forward Capital Expenditure Predetermination Conference

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Underpinning the NEM Reform Agenda

Politicians and consumers are very sensitive to Electricity Price Increases and Blackouts, particularly when it effects voters. So how do you establish a vision and pass through price signals!

Context

ACCC has correctly identified that Transgrid is pivotal to the NEM in supplying NSW with energy and

Playing a key role in facilitating wholesale competition in the NEM.

NSW Incidents

- The 1 month transmission maintenance outage at the start of the Ancillary Service Payment Market start.
- The loss of 3000 MW last August with large scale inter jurisdictional load shedding.
- The 1st of December price spike.

Pressures on Transgrid

- The NEMMCo SOO (2004) indicates that the 10% POE load growth forecast for NSW may require between 3500 and 4000 MW of new generation capacity to 2014.
- The north coast NSW load growth is similar to Southern Qld, currently doubling every 6 years.
- The continuing increase in temperature sensitive summer load growth in Sydney.

A Complex Environment

- SoRP still has a number of fundamental flaws.
- ANTS Augmentations happen in spite of DSoRP and now SoRP
- The NECA (AEMC) Reliability Panel has started the process of reviewing the “long term” 0.002% Un Served Energy reliability standard.

The Problem

- The Supplementary Draft Decision fails to ensure that Transgrid can fulfil the role of supplying NSW (particularly Sydney Wollongong and Newcastle) and facilitating the free flow of energy from Qld to NSW and NSW to Victoria.
- PB in their report to ACCC suggested that Sydney may experience a voltage collapse in the next 3 to 10 years if the 500 KV ring main was not completed over that period.

The Draft Determination

- The new ACCC regulatory arrangement of setting firm investment caps at the start of the regulatory period, that enables a TNSP to decide which investments it will make within this allowance With the objective of the ex ante allowance is to establish certainty and provide incentives for efficient investment

and

the decision to exclude \$ 900 m worth of projects from the forward capital allowance

Transmission Assets are not built over night

- Many of the Transgrid investment decisions cover 2 regulatory periods.
- There are existing transmission constraints in NSW constraining off generators.
- New generators will require new transmission investment.
- Inter-jurisdictional ANTS based augmentations will require further down stream Intra-jurisdictional transmission network investment.

The National regulatory objective
is to maintain a
“light handed, incentive based”
regulatory regime.

This draft determination fails that
objective!

It's micro managing