



| |
|-----------------|
| FILE No: |
| DOC: D07/108981 |
| MARS/PRISM: |

AUST. COMPETITION &
CONSUMER COMMISSION
MELBOURNE
27 NOV 2007

Mr Paul Dunn
NEM Specialist
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

November 22, 2007

Brisbane Corporate Office

Mitch Jakeman
Director

Direct Fax +61 (0)7 3834 1390
Direct Line +61 (0)7 3834 1353
e-mail mitch.jakeman@anglocoal.com.au

Dear Mr Dunn

APPLICATION FOR PARTIAL EXEMPTION – NEC CLAUSE 2.5.1 (D)(2)

Anglo Coal (Moranbah North Management) Pty Ltd (“MNCM”) hereby applies for exemption from the operation of Chapter 5 of the National Electricity Rules and the requirement to provide an access undertaking to the AER.

1. BACKGROUND

Anglo Coal (Moranbah North Management) Pty Ltd (“MNCM”) is the operator of a 66kV network supporting the operations of its mine, located 12 km north-north-west of Moranbah in central Queensland. This private network is connected to the Ergon Energy Corporation Ltd (“EECL”) distribution network at the Moranbah substation. The network is operated under a Special Approval SA03/07 granted by the Queensland Department of Energy (“DoE”).

An independent party, Energy Development Limited (“EDL”), is seeking to establish a 56 MW power station on the Moranbah North mining lease. The power station would be connected to the MNCM network and fuelled by coal seam methane from the Anglo Coal mines. The project presents an opportunity to reduce emissions of greenhouse gases by using waste coal mine gas to generate electricity

2. REGISTRATION AS A NETWORK SERVICE PROVIDER

MNCM will be applying to the National Electricity Market Management Company (“NEMMCO”) to register a distribution service.

In the course of making application to NEMMCO, MNCM must previously apply for, and receive, any exemptions it is seeking from AER.

MNCM also has ongoing discussions with the following parties in relation to the proposed establishment of the MNCM network service provider:

Anglo Coal Australia Pty Ltd

201 Charlotte Street Brisbane 4000 Australia GPO Box 1410 Brisbane 4001 Australia
Tel +61 (0)7 3834 1333 Fax +61 (0)7 3834 1390 www.anglocoal.com.au

ABN 93 076 059 679

Ref

- i. Queensland DoE – in relation to any effect of the proposed NEMMCO registration on the existing Special Approval;
- ii. EECL – in relation to MNCM change in status to NSP and the impact on the existing connection agreement; and
- iii. Queensland Competition Authority – in relation to the economic regulation of the network services to parties connected to the proposed MNCM network.

3. EXEMPTION FROM CHAPTER 5 OF THE NATIONAL ELECTRICITY CODE

In applying for exemption, as described in Clause 2.5.1(d)(2) of the National Electricity Rules (“Rules”), we make reference to the ‘Guidelines for exemption from the requirement to register as a network service provider’ (“Guidelines”) dated July 1998, as published on the ARE website.

Section 7 of the Guidelines states “Where an applicant satisfies NECA that principles 6.1 to 6.4 have been met, exemption from the requirements of chapter 5 will generally be granted.”

The following addresses principles 6.1 to 6.4 of the Guidelines and is the basis upon which partial exemption is sought for the proposed MNCM Network Service Provider (“MNCM NSP”).

A. Principle 6.1 - the relevant network should be wholly contained within premises owned or controlled by the applicant.

The MNCM NSP assets will comprise the 66 kV radial overhead electricity line, approximately 13.2 km in length, originating at EECL’s Moranbah Substation and extending to MNCM’s lease boundary substation.

None of the feeders, electrical equipment or connections on the load side of the 66kV isolating switches in the Lease Boundary Switchyard are included in the network.

The assets described above are on premises owned and/or controlled by MNCM. These assets have been established under a Special Approval granted by the Queensland DoE.

B. Principle 6.2 -- the provision of the network (and any supply of electricity to other parties) must be incidental to the business of the applicant.

The Moranbah North Coal mine is located some 12 km north-north west of Moranbah in central Queensland. It is connected to the EECL distribution network via 13.2 km of 66 kV line from EECL Moranbah Substation, owned by the mine.

This line was built in 1996 and is operated by MNCM and, together with the electric network located on the mine site, was established to support the operation of the mine. MNCM is not required to make any significant changes to the network to allow the connection of the power station.

The registration of the MNCM network will also facilitate the participation of the proposed 56 MW power station in the NSW Greenhouse Gas Abatement Scheme. The parties intend to apply nominal charges for the use of the network.

C. Principle 6.3 -- standards or other regulatory controls should be in place in respect of the relevant network.

MNCM currently operates its electric network in accordance with the requirements of the Electricity Act 1994 (Qld) and the Special Approval (No. 03/07) granted under the associated Regulations.

MNCM also operates and maintains the assets connecting the mine to the EECL distribution network in accordance with the requirements of the Connection and Access agreement established with EECL.

D. Principle 6.4 -- the granting of the exemption should not unduly limit access of parties to the national electricity market contrary to the market objectives (clause 1.3 of the National Electricity Code).

The following facilities will be connected to the MNCM NSP:

- i. Moranbah North Coal mine – which is currently a contestable electricity customer; and
- ii. the proposed 56 MW power station.

As a contestable customer, the Moranbah North Coal mine is able to choose its electricity retailer. The registration of MNCM NSP with exemption from Chapter 5 and the access principles does not prevent it from continuing as a contestable customer in the national electricity market.

The establishment of the MNCM NSP will also ensure that the proposed 56 MW power station has the opportunity to export energy to the national electricity market. MNCM NSP proposes to establish contractual arrangements to support this access to the national electricity market.

Furthermore, load growth in the area has been limited mainly to expansion of existing mines or connection of new mines. The granting of an exemption to the MNCM NSP will not limit access to the national electricity market for any known loads or generators in the area as these parties will continue to be able to connect to the existing 22kV and 66kV EECL lines.

4. CONTACT FOR ADDITIONAL INFORMATION

We trust the above addresses principles 6.1 to 6.4 of the Guidelines which NECA will apply in assessing this application for exemption as described under the Code clause 2.5.1(d) (2).

If you require any addition information or clarification, please contact Mr Scott McEwan of Anglo Coal (Moranbah North Management) Pty Ltd on 07-3834 1778 or Mr Roger Riley of HMA Consulting on 07-3236 4244.

Yours faithfully
Anglo Coal (Moranbah North Management) Pty Ltd

A handwritten signature in black ink, appearing to read "Mitch Jakeman", written over a light grey rectangular background.

Mitch Jakeman
Director