22 Douglas Street
New Town TAS 7008
5 February 2009.

Mr Steve Edwell
Chairman
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Attention: Mr Andrew Reeves.

Dear Mr Edwell,
Transend's transmission pricing determination.

Attached is my response to the AER invitation to comment on the proposed Transmission pricing determination.

I note Aurora's letter response dated 6 January 2009, and concur with their concerns that their ability to deliver good service to customers of the distribution network depends in a significant part on access to protection data and control of the HV circuit breaker at the start of each distribution feeder. Indeed, no other DNSP in Australia relies upon the TNSP in managing the distribution feeder circuit breaker and voltage settings.

Transend's distribution assets have a significant value (I estimate 5-8% of Transend's listed transmission assets), and are a class of assets that no other TNSP owns or is responsible for in Australia. I believe it would be appropriate in your first year of regulation to make this anomaly transparent by listing these assets separately from true transmission assets as defined in the National Electricity Rules.

While the AER made a submission in April 2007 to the AEMC to allow a DNSP to have some transmission assets recognised as distribution assets for the purposes of determining revenue requirements, I am not aware of any equivalent dispensation to allow a TNSP to combine significant distribution assets with their transmission assets.

In the attachment, I refer to presentations and questions at the pre-determination conference in Hobart held on 10 December 2008.

Yours sincerely

David Asten
MIEAust, MIES(ANZ)
Chartered Professional Engineer

5 February 2009

Australian Energy Regulator

Comments arising from the pre-determination conference on Transend's transmission revenue determination, held on 10 December 2008 in Hobart.

My questions in the conference related to two issues:

- A proportion of Transend's assets are distribution assets. For instance the 11kV and 22kV circuit breakers controlling over 200 distribution HV feeders.
- Responsibility for control and operation of distribution assets is a distraction for Transend and inappropriate in today's business environment.

I note the AER's description of transmission networks on its website, copied below. There is no provision for a TNSP operating distribution assets below 66kV, but there is mention of "dual function" assets in the National Electricity Rules (NER) where a DNSP owns some assets that operate in parallel with the transmission network.

About electricity transmission

The national electricity system includes the high voltage power network, used for transmission of electricity from generators to the distribution network. Under the national electricity rules the transmission system consists of network assets transmitting electricity at 220kV and above, plus those assets operating between 66kV and 220kV if they operate in parallel to and provide support to the higher voltage transmission network, or are deemed by the AER to be part of the transmission network. Assets operating between 66kV and 220kV that do not operate in parallel to and provide support to the higher voltage transmission network may be deemed by the network operator to be part of the distribution system by agreement with the AER and the jurisdictional regulator.

Part N, Clause 6.24 of Version 23 of the NER deals with dual function assets, and Chapter 6A deals with Economic Regulation of Transmission Services. The latter does not appear to contemplate distribution assets within transmission asset determinations, but the former makes specific provision to identify transmission assets that are managed by DNSPs. It seems to me that the AER should use the same logic with Transend distribution assets and clearly identify them separately from transmission assets as defined by the NER.

Transend's business boundary with Aurora is an anomaly today. Indeed, more of an anomaly today than when the Tasmanian Regulator commenced oversight of electricity charges in the 1990's.

When the business boundary was established in Tasmania, it was aligned with physical boundaries rather than functional boundaries, to the detriment to Tasmanian customers. Then, live-line working techniques were in their infancy and fault analysis based on fault current measurement was used only in the transmission network.

Times have changed. Today, live-line working is a routine, regular technique in distribution networks and helps the DNSP reduce supply interruptions to customers. Fault tracing relies more on fault current analysis and helps the DNSP locate a fault faster, and restore supply to customers sooner.

Both techniques are industry standard today, but in Tasmania involve considerable work by transmission operators who normally give transmission operational tasks a higher priority. Live-line work requires adjustment of distribution protection relays before and after each work day. Fault current analysis requires immediate access to relay data via a SCADA system. Load transfers from one feeder to another require adjustment of busbar voltage settings and protection relays.

The result is considerable work by Transend operators that is no longer appropriate, often causes delays to Aurora's operations, adds to work times and increased costs in the distribution network, and contributes significantly to distribution service performance, particularly SAIDI, that is poor by industry standards. Aurora was penalized over $1Million only a year ago for poor network performance, and it is my belief that a significant proportion of the penalty was due to delays caused by Transend operators giving second priority to switching distribution circuitbreakers, supplying protection and voltage data and changing protection relay settings.

If this distribution work continues to be allocated to Transend, then it would be reasonable for those distribution assets to be identified separately from transmission assets, and distribution operational costs to be separated from transmission costs in the interests of transparency. Such a change would be consistent with Chapter 6A and Clause 6.24 of the Australian Electricity Law that deals with transmission assets and dual-function assets.

Some customers may be disadvantaged by lumping significant distribution network costs into transmission network costs, and there has been no indication that the revenue calculation models used by AER for transmission and distribution networks will be the same.

Certainly, if the AER intends to benchmark performances of TNSP's across Australia, then Transend's distribution assets and associated costs should be ring-fenced, and the distraction from transmission functions minimised.

In my view, it would be better for Tasmanian customers if Transend's distribution assets were transferred to Aurora, but in the meantime, those assets should be identified separately from transmission assets as they represent a significant proportion of Transend's regulated asset base.

The AER has a responsibility to promote efficiency in transmission and distribution networks. In its first full year of determinations for these networks, it would be appropriate in my view for the AER to improve transparency and consistency across jurisdictions.

David Asten
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Hobart, Tasmania.