

The Hon Tom Koutsantonis MP
Member for West Torrens

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AUST. COMPETITION &
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Mr Warwick Anderson
General Manager Network Regulation
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Dear Mr Anderson

The South Australian Government would like to take this opportunity to comment on the Australian Energy Regulator's (AER) Draft Decision and ElectraNet's Revised Revenue Proposal for the 1 July 2013 to 30 June 2018 regulatory period.

The Government expects that in undertaking its review of ElectraNet's Revised Proposal, the AER will have regard to the National Electricity Market Objective, which is to promote efficient investment in, and efficient use of, electricity services for the long term interests of consumers of electricity with respect to price, quality, reliability and security of supply of electricity and the reliability, safety and security of the national electricity system.

I note from the Draft Decision that the AER was particularly concerned with three areas of ElectraNet's Revenue Proposal: land and easement acquisition, contingent projects and demand forecasts that underpin augmentation and connection capital expenditure.

The AER has stated in its Draft Decision that 21 proposed land and easements projects are designated for ElectraNet's use by planning instruments such as the 30 Year Greater Adelaide Plan and council designations. It is important to note that State planning legislation does not guarantee development rights.

Lengthy lead times can be associated with land acquisition and planning approvals. This can significantly impact major projects, such as mining projects, which are relying on augmentation or extension of the electricity system for their power supply. Accordingly, an early strategic approach to land and easement acquisition is warranted in appropriate circumstances.

In determining the efficient level of strategic land purchases and easements, it is important that AER carefully consider the business case supporting the necessity, cost and timing of ElectraNet's proposed strategic acquisition projects and benchmark this proposed expenditure against other network providers.

In relation to contingent projects, it was prudent of the AER to seek further work from ElectraNet in relation to probability and project triggers.

As further information to assist the AER, I can advise that the Government has been working closely with strategic mining projects on the Eyre Peninsula. An important part of this collaboration is to identify and resolve potential process barriers.

Given the number of strategic mining projects based on the Eyre Peninsula, and the issue of proponents having short timeframes to production once a decision has been made to proceed, I support the Lower Eyre Peninsula Reinforcement contingent project included in the ElectraNet revised proposal. As a contingent project will only proceed in the regulatory period if the triggers are met, it is important for the AER to focus on ensuring the triggers proposed by ElectraNet for this contingent project are appropriate.

Finally, the Government notes that ElectraNet has recently proposed a number of amendments to the South Australian Electricity Transmission Code, in which transmission reliability standards are published. I encourage the AER to work with the Essential Services Commission of South Australia to ensure that the forecasting methods used in revenue determination are consistent with those for determining reliability levels.

Should you have any questions in relation to this submission, please contact Mr Vince Duffy, Executive Director, Energy Markets and programs Division of the Resources and Energy Group, Department for Manufacturing, Innovation, Trade, Resources and Energy on (08) 8204 1724.

Yours sincerely



Hon Tom Koutsantonis MP
Minister for Mineral Resources and Energy

2 March 2013