



# Wambo Power Ventures Pty Ltd

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Mr Sebastian Roberts  
Acting General Manager  
Regulatory Affairs – Electricity  
Australian Competition & Consumer Commission

Dear Sir,

## RE: REVIEW OF THE REGULATORY TEST

Thank you for the opportunity to comment on the ACC's discussion paper: "Review of Regulatory Test".

Wambo Power Ventures is a boutique peak/shoulder generator, planning investments in a number of innovative gas-fired power stations which offer significant network benefits, recompense for which is already difficult and uncertain, and which would be impossible to plan for if transmission investment was not subject to objective commercial system benefit tests. Ie Transmission investment can so change locational pool pricing and location ancillary service pricing, that non-regulated investment in generation alternatives to transmission augmentations can only attract the necessary business development if there is a minimum likelihood of non-market interference in transmission planning and augmentation.

We would first therefore wish to comment on the submission already made to ACCC in this current process by the Essential Services Commission of SA, as follows:

- (i) Removal of the regulatory test and replacement by a non-economic process, as proposed by the Commission, would clearly be anti-commercial, lack commercial rigour, introduces bias of an unpredictable nature at any time, expose electricity consumers to costs of unnecessary inefficient transmission investments, and introduce serious additional market risks for new generation investors.
- (ii) Devolving of responsibility for applying the regulatory test to TNSP's, as also suggested by the Commission, such as would allow new transmissions investments which could not satisfy any independently-judged commercial-based test, would also be anti-competitive, in the same way as removal of the regulatory test

While others will debate the more esoteric detail being reviewed in relation to the regulatory test, it may be of interest to consider the following difficulties for innovative new "non-regulated" generation development which WPV and other gas-fired generator proponents have experiences.

1. Firstly, where objective analysis would indicate a high probability that a new generator could offer transmission support at most economical cost, and being equivalent to a small proportion of the power generator's total costs, as well as providing other grid services without recompense, such as mandatory reactive power ancillary service, it appears that the generator proponent is limited in the terms it could put forward for transmission support payment to the generator, as a least-cost alternative to transmission reinforcement.

It appears that a proposed new generator in these circumstances is evaluated under the regulatory test at its full capital plus O&M plus fuel cost of generation, rather than at a much lower cost of transmission support payments which may be intended, and which would be a least-cost alternative solution compared with a proposed transmission augmentation. The bulk of the power generator's costs in any case would be from normal market revenues earned by a generator.

This approach seems to be taken according to a strict literal interpretation of the RT, despite it being really non-sensical. The RT should be at least unambiguous, but also practical, as to the costs which an intending generator, as well as a committed generator, is proposing as transmission support



payments for alternatives to transmission augmentations.

2. WPV welcomes the proposed criteria for committed and anticipated projects, set out in Section 3.2.5 of the Discussion Paper. Consistency with the criteria used by NEMMCO for their SOO is welcome.
3. WPV's concerns with the costs which the regulatory test implies should be allowed for intending alternative generation solutions, not only relate to generation costs which are not proposed to be charged to the TNSP but which seem to be charged to such alternative solutions in regulatory test calculations, but also relate to the concentration in regulatory test calculations on long-term cost-benefit analysis, in lieu of a healthy short-term analyses, which in some cases will result in new generation which can change for the long-term circumstances which are otherwise being modelled to justify the transmission augmentation.
4. Time constraints on new generators offering non-transmission alternatives under the regulatory test are also very confusing to new generators. Not only should a greater and sufficient time be allowed for market-based generation alternatives to come forward, but the operation of the time limit, and notices of commencement of any time limit, should be more up-front and transparent, from the initial notification of a looming system supply deficiency, to the publication of the transmission augmentation which is being planned to avert such a potential system supply deficiency.

WPV has no objection to the publication of these comments.

Yours faithfully  
Wambo Power Ventures Pty Ltd

Trevor St.Baker  
Managing Director