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NATIONAL ELECTRICITY MARKET: REGIONAL STRUCTURE REVIEW

Thank-you for the opportunity to comment on the Ministerial Council on Energy (MCE) National Electricity Market regional structure review and the Charles Rivers and Associates (CRA) report on this issue.

Generally CS Energy is supportive the CRA recommendations that will lead to a stable market environment where region boundary reviews are infrequent and changes to region boundary will only occur as a last resort. In this environment of improved certainty and reduced risk, the cost of capital will be reduced and merchant generation investment will be forthcoming. Generation plant investment will result in a reliable electricity supply with reduced electricity cost.

CS Energy has worked with a number of other Queensland Generators to form a consensus view on this region boundary review. The attached report titled “A Response to the Regional Boundary Review by Queensland Generators” represents CS Energy views and is submitted to the MCE for consideration.

We would like to emphasise a number of key aspects of the submission, which we consider to be essential for the integrity and success of the proposed region boundary arrangements.

The whole basis for CRA’s recommendations is that transmission constraints, at least within regions, will not be prolific, as transmission investment will occur in a timely manner. Consequently it is essential that the MCE ensure that the regulated transmission investment criteria are consistent with stated MCE policy and the assumptions that form the basis of CRA’s recommendations.

The key aspect of the success of CRA’s recommendations is that stability in the market environment promotes the certainty and predictability required to encourage suitably located generation investment. The allocation of Constraint Support Contracts (CSCs) to existing generators free of charge so they do not suffer significant revenue or value changes within a region review period is essential for integrity the CRA recommendations. Failure to allocate to existing generators would create a major flaw in the logic for the proposed regime fail to achieve desirable outcomes.

We would welcome an opportunity to discuss our submission with the evaluation team and participate in further development of the concepts presented in the CRA report.

Yours sincerely

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