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Manager - Energy Market Reform Team
National Energy Market Branch
Department of Industry, Tourism and Resources
GPO Box 9839
Canberra ACT 2601

By email: MCEMarketReform@industry.gov.au

Dear Sir

Response to Report: NEM - Transmission Region Boundary Structure

Stanwell Corporation thanks the Ministerial Council on Energy for the opportunity to comment on the report: NEM – Transmission Region Boundary Structure produced by Charles River Associates.

In addition to this letter, Stanwell has put its name to three separate submissions made by groups of generators with similar views – such as the National Generators forum, and other like minded groups. One of those is a submission jointly developed by the registered generators in Queensland, which is attached.

Each of the submissions has been formed by consensus amongst the relevant participants, and while the submissions will inevitably have differences in nuance and detail, the thrust of them is similar.

Stanwell would like to emphasise the following points as issues which sees as important in relation to the CRA report itself and the general issue of transmission in the NEM.

- Stanwell encourages the MCE to develop a comprehensive and consistent transmission **package** which includes a regulatory test, constraint management regime and region boundary change criteria.
- With regard to **region boundary criteria**, Stanwell supports the recommendations in principle, however has noted some detail that remains to be resolved. Please refer to the group submissions.
- With regard to a **constraint regime**, Stanwell believes further investigation of the proposed CSP/CSC regime is necessary before it can support the concept in principle, particularly in the areas of governance and CSC allocation. Stanwell supports a wider use of Option 4 in the NEM.
- With regard to the **regulatory test**, Stanwell sees this as the “missing link” in the package. The reliability limb of the regulatory test is functioning well however Stanwell believes further work is required to ensure competition benefits are taken into account in a consistent manner with the other components of the package.

- Stanwell is of the view that **economic transmission investment is the preferred solution to transmission and boundary issues** in the NEM. Transmission augmentation minimises disruption caused by constraints and region boundary change and provides opportunity for maximising the utilisation of generating plant.
- Evaluating the economics of transmission investment/ region boundary change is difficult. The report proposes a 'margin of error' in the evaluation of a region boundary change to, in part, account for the immeasurables. A **similar 'margin of error' should be applied in the competition benefits limb** of the regulatory test needs to be applied in favour of transmission investment.
- The timing of implementation of the package should be such that the **regulatory test has time to operate before the region boundary criteria** take effect.

With regard to other recommendations in the report, please refer to the submissions to which Stanwell has given its name. If further clarification is required please contact Denis Warburton on 07 3335 3801.

Yours faithfully

Dr Paul Simshauser
General Manager Marketing & Trading

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