

Ref:

12 November 2004

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

Dear Sir/Madam

NEM REGIONAL STRUCTURE REVIEW

Tarong Energy Corporation Limited (TEC) is pleased to make this submission to the Ministerial Council on Energy Standing Committee of Officials (SCO). This review of the criteria for establishing regional boundaries in the NEM, and the associated challenge of managing network congestion is seen as a critical issue to generators.

TEC has contributed to the development of the submissions made by the Queensland Group of Generators (attached) and the National Generators Forum (NGF) and commends those submissions to the SCO for consideration. This submission is intended to simply highlight those issues under consultation that TEC considers critical.

A Package Deal

At the outset it is important to recognise the fundamental interconnectedness of most of the recommendations made by CRA. Previous review and consultation efforts in the transmission and regional boundary field have suffered because they were confined to only one or two aspects of the problem. We believe that issues surrounding regional boundary criteria must be considered in the same framework as the policy settings for network investment (the Regulatory Test), and network congestion management (constraint formulation).

TEC urges the SCO to not be selective and choose only limited aspects of the recommendations put forward by CRA. We view the recommendations as a coherent package and would oppose a piecemeal approach where only individual elements are selected. To do so would compromise the valuable work done to date on integrating the various policy threads.

Sequence of Actions

TEC strongly endorses the high level strategy recommended by CRA of managing significant network constraints for a period of time before considering a change to region boundaries. The proposed CSP/CSC regime holds the promise of a robust framework for efficient dispatch of the market until a physical or regulatory solution to the congestion can be implemented.

Physical solutions such as merchant investment in generation, regulated network investment and demand side solutions would provide the most permanent and least disruptive form of congestion relief. Regulatory solutions such as region boundary changes do not physically relieve congestion, and should only be adopted as a last resort when other alternatives are not forthcoming.

Summary

As noted above TEC is supportive of the submissions made by the Queensland Group of Generators and NGF. We urge the SCO to adopt an integrated solution to the issues and believe the best outcomes can be achieved by managing congestion in the short term, relieving congestion where economic in the medium term, and only changing region boundaries when these other processes have been exhausted.

Yours faithfully

e-mail submission – not signed

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