

Part 2

Addressing matters raised by the Tasmanian Chamber of Commerce & Industry (TCCI) on 9 July 2009 recorded in Hansard

Messrs Scobie and Dowling, representing the TCCI, gave evidence to the Senate Select Committee on Fuel and Energy in Hobart on 9 July 2009. Transend is disappointed that the TCCI made a number of incorrect statements about the Tasmanian power system and market arrangements. Examples of these are provided below. Transend has offered to provide a special briefing to the TCCI about the how the electricity transmission system is regulated in Australia and the issues they raised with the Senate Select Committee.

1. Mr Dowling stated that in relation to sources of electricity in Tasmania the supply “*is 95% hydro power*”. The fact is that the supply side in Tasmania has evolved over the past five years, and in 2008–09 approximately 66% of the total electricity supply was from hydro sources. Although hydro is still the dominant source of generation, gas and wind power are increasing their share of the market, and a significant portion is imported from the mainland via Basslink.

Table 1: Sources of electricity energy in Tasmania

Generation source (%)	2008–09	2007–08	2006–07	2005–06
Hydro	66%	64%	72%	90%
Gas	7%	11%	8%	5%
Wind	4%	3%	2%	2%
Import (via Basslink)	23%	22%	18%	3%

Source: Transend metering data

The recent commissioning of the Tamar Valley gas-fired power plant is expected to increase the proportion of electricity generated from gas. Transend has provided connection services to new sources of generation and continues to work with prospective customers that have plans for installation of new electricity generation capacity in Tasmania.

2. Mr Scobie stated that “*no-one has coherently set about aggregating that (the capacity for renewable energy in Tasmania) into a single Tasmanian position*”. Transend is required to publish an Annual Planning Report and a Tasmanian Annual Planning Statement that consider the future development of the power system in Tasmania. That information is available on Transend’s web site. Both the APR and TAPS provide regular reviews of the electricity market in Tasmania from both supply and demand perspectives.

Transend has also produced and updating a 30 year Grid Vision incorporating the expected significant expansion in the number and capacity of renewable generation on Tasmania. Transend has had significant input to this long-term plan from generators (both existing and prospective), the distribution company (Aurora Energy), industrial customers and other interested stakeholders.

3. Mr Scobie and Mr Dowling made statements that the main constraints to investment in renewable energy in Tasmania “*relate to the legislative framework for transmission in Tasmania*”. Transend is a registered participant in the National Electricity Market subject to



the National Electricity Law and regulated by the Australian Energy Regulator. Although some Acts of state legislation create obligations for Transend, the national arrangements are the primary legislative framework that Transend must operate within. As noted in Part 1 of this submission, the national regulatory framework continues to evolve, including facilitating efficient investment in the increased renewable energy forecast as a result of climate change policies.

4. Mr Dowling contended that *“Transend can charge whatever price they like for someone who wants to invest in generation and if you go to an alternative provider to do that connection then you are faced with a penalty fee from Transend for choosing an alternative provider.”*

Transmission services provided by Transend are categorised into prescribed, negotiated and non-regulated services. The transmission services required to connect a new generator will generally fall into the negotiated and non-regulated categories. For negotiated services Transend must submit a negotiating framework for approval to the AER. In effect the framework limits the amount Transend can charge for negotiated services.

This negotiating framework outlines how we provide services to customers and the amounts we can charge. It is available to all prospective customers and published on our website. Transend cannot charge a penalty fee to a connection customer because it chooses an alternative provider. For non-regulated services the connection customer is able to choose any service provider and may even choose to build the new transmission line themselves.

Under the national regulatory framework Transend cannot use its market position to charge unreasonable rates for services that only Transend can provide.

5. Mr Dowling asserted that *“Tasmania is already subject to frequent periods of blackouts due to the very fact that Tasmania cannot meet demand.”* Mr Dowling provided no evidence to verify his assertion: the fact is that blackouts in Tasmania are very rare. The number and duration of loss of supply events have decreased over the past five years

A large portion of Transend’s capital program is centred on reducing constraints and improving reliability and security of supply for customers. Mr Dowling would realise that this type of investment directly benefits customers, including TCCI constituent businesses and industrial customers. Of course renewal of the network and the additional capital investment needs to be paid for and explains part of the recent increases in electricity prices in Tasmania.

Transend makes its capital investment decisions within the regulatory framework. Every five years the AER reviews Transend’s proposed capital program for prescribed (regulated monopoly) transmission services as part of the incentive-based regulatory regime. The AER’s review is a public process, with consultation invited from all interested parties. The TCCI was given the opportunity to raise any concerns with Transend’s service performance, proposed capital program and other matters as part of this review process.

The fact is that Transend’s service performance in recent years has been outstanding. Over the past five years the performance of the transmission system in Tasmania has improved substantially and since 2003 Transend has exceeded the AER’s service performance targets in each and every year.