



26 March 2013

Mr Hugo Klingenberg
Senior Manager Network Development
ElectraNet Pty Ltd
Email to: consultation@electranet.com.au

Dear Hugo

Eyre Peninsula RIT-T PADR

The National Generators Forum (NGF) has a significant interest in investment within transmission and distribution businesses. We appreciate the important role networks play in delivering competitively priced, reliability and safe energy to Australian consumers and the need to ensure the regulatory settings provide incentives to deliver efficient network investment and operation. As such, we support investment in the transmission network, where it is clearly demonstrated that the investment is efficient and customers will realise a benefit.

The NGF has been increasingly concerned with the spiralling costs of transmission and distribution networks and its impact on the efficient use of electricity by consumers and subsequent impact on generators. The rising retail price has been a major factor, along with structural changes within the economy, leading to the inefficient decline in demand for electricity. The major cause of rising retail prices has been the investment in new, and upgrades to, network infrastructure.

It is our understanding that:

- this RIT-T follows on from an earlier assessment where the forecast demand at Port-Lincoln appeared to require either an upgrade to the 132kV radial link or non-network options in Port Lincoln.
- Since that report, underlying demand has fallen, deferring the reliability upgrades for a number of years.
- ElectraNet is presenting the upgrades as shared network upgrades, rather than connection assets because the existing network is in the vicinity of the required new connection assets and there are possibly reliability requirements in the next 5 years.
- Because ElectraNet is considering reliability benefits the RIT-T need not identify a net market, but instead these new assets can just pass by calculating what is the cheapest option to supply committed loads

We have some concerns over the scale of the investments being considered as “reliability” investments under the RIT-T. We believe the Eyre Peninsula investments may engorge the regulated asset base of Electranet to such an extent there may be the risk of the investments increasing per unit costs, through diseconomies of scale. Electranet, in an updated PADR, would need to demonstrate that existing customers are no worse off under the recommended option. If existing customers are worse off, the assets should not be shared reliability investments, but should be developed as dedicated connection assets.

Electranet states in the PADR that “ElectraNet does not intend to finalise the RIT-T analysis and issue a Project Assessment Conclusions Report (PACR) in the near future” and that “this PADR [Project Assessment Draft Report] is likely to remain relevant until mid 2014”.

The NGF rejects this approach as it is inappropriate on a number of fronts:

- it provides ElectraNet with maximum discretion, in effect a free option to release the Conclusions Report when it suits them without revising assumptions that may be outdated;
- it reduces the level of public transparency in the process due to the possible long time period between the PADR and PACR; and
- new information may arise such as further deterioration of peak demand load, the level of demand response, etc ,which would warrant the issue of a revised PADR as part of the RIT-T process.

We believe there are grounds that Electranet should suspend the current process, stating the augmentation is not currently required, and issue a revised PADR for public comment if and when new major load is committed.

It is our view that given the scale of the investments and large economic risks for consumers:

- in the event that mining loads commit, Electranet should reissue the PADR with updated analysis regarding costs and benefits prior to proceeding to a final report; and
- proceeding straight to a final report as proposed by Electranet would be unacceptable.

I will be in contact to further discuss these issues with you and your office.

Yours sincerely



Tim Reardon
Executive Director