

**SUBMISSION ON MURRAY LINK TRANSMISSION COMPANY –
APPLICATION TO THE ACCC FOR CONVERSION TO A
PRESCRIBED SERVICE AND A MAXIMUM ALLOWABLE REVENUE
FOR 2003-2112**

TO: AUSTRALIAN COMPETITION AND CONSUMER
COMMISSION
Attention: Mr Sebastian Roberts

FROM: AUSTRALIAN LANDSCAPE TRUST

RE: ENVIRONMENTAL COSTS AND BENEFITS

DATE: 28 FEBRUARY 2003

1. INTRODUCTION

This submission is made in response to the invitation contained in the ACCC issues paper (Murray Link Transmission Partnership), February 2003.

The Australian Landscape Trust (ALT) is a trust established in Victoria for “environmental purposes” and is registered in the Commonwealth’s Register of Environmental Organisations for relief under the *Income Tax Assessment Act*. In particular, it is established “to provide leadership and support for the achievement of landscape recovery from past unsustainable uses and to promote regionally appropriate ecologically sustainable development.” (Supplemental Deed, 30 August 1996; clause 2). A critical role of the ALT is the maintenance of regional biodiversity.

The ALT has a national role as a non-government organisation for the implementation of ecologically sustainable development and the restoration of environmentally depleted lands. The ALT has been a prime initiator in encouraging the establishment of the Bookmark Biosphere Reserve in the South Australian Riverland. Currently, through an associated organisation, it is now managing the Calperum and Taylorville pastoral leases within the Bookmark Biosphere Reserve on behalf of the Commonwealth Director of National Parks. These leases support approximately 350,000 hectares of intact mallee as well as significant portions of a Ramsar-listed wetland.

In August 2002 the ALT made a substantial written submission on the TransGrid draft environmental impact statement (EIS) under the *Environment Protection and Biodiversity Conservation Act 1999* (the *EPBC Act*) for the SNI Interconnector. Transgrid, in conjunction with ElectraNet, is proposing a 275kV aboveground interconnector (SNI) between Buronga in New South Wales and Robertstown in South Australia via Monash. The current TransGrid proposal involves the construction and operation of towers and conductors immediately

adjacent Ramsar-listed wetlands on Calperum station and through intact mallee which is the habitat of one of the most endangered bird species in Australia, the Black-eared miner.

The ALT therefore has a significant interest in the appropriate location of, and technology for, transmission systems in order that significant encroachment on areas of ecological and cultural sensitivity may be avoided.

2. THE MTC APPLICATION

Murraylink Transmission Company (MTC) has applied to the ACCC for a determination that the Company become a “prescribed service” for the purposes of the National Electricity Code and, consequently, that the Company be eligible to receive the maximum allowable revenue from transmission customers for a specified regulatory period.

It is further understood that one of the issues to be considered by the ACCC in determining this application is the appropriate method for assessing the net present value of the market benefit which may be ascribed to the Murraylink project. As the Issues Paper points out, “the intention of the regulatory test is to limit cost recovery to efficient investments” (page 3).

3. REGULATORY ASSET VALUATION OF MURRAYLINK

MTC has developed a methodology in its submission to confirm a regulatory asset value for any existing interconnector at which the project can satisfy the Regulatory Test. Part of this methodology involves estimating the cost of alternative projects. MTC rightly point out that “there is a range of uncertainties associated with the costs and timing of each of the alternative projects”. MTC then proceeds by way of example to indicate the uncertainty associated with the environmental and easement costs and constraints of constructing overhead transmission lines.

It is this issue in which ALT is most particularly interested both in relation to the current and proposed transmission of electricity through the Riverland of South Australia and also in broader terms with respect to the impacts of transmission systems upon the types of landscapes for which ALT has assumed considerable responsibility and in which it has invested substantial finances.

4. THE ENVIRONMENTAL VALUE OF UNDERGROUNDING

The environmental benefits of undergrounding may be viewed in terms of the environmental cost of overhead powerlines in environmentally sensitive areas. It has, to date, been difficult to place a dollar value on the environmental costs associated with above-ground electricity transmission projects. Whilst there are often definable ecological impacts associated with conductors and towers proposed for sensitive areas, principal concerns more clearly arise from their aesthetic impacts. Although it is difficult to financially quantify such impacts, the task is made easier in situations where an area may be regarded as a significant tourism destination or having the potential to achieve that role or status.

In its submission on the TransGrid Draft EIS, the ALT made two fundamental points in relation to this issue as follows:

- (i) The Bookmark Biosphere Reserve is a working concept of ecologically sustainable development based to a large extent upon the integrity of the environment (essentially the intact mallee and wetlands) which is the focus of the Bookmark Biosphere program in the Riverland. For example, eco-tourism guides have been trained so that they may undertake commercial tourism based on the wilderness values of the area;
- (ii) On the basis of the environmental qualities of the area and also the status of the Bookmark Biosphere Reserve under the UNESCO Man and the Biosphere Program very substantial, quantifiable financial investments have been made.

It is not proposed to reiterate the substantiating arguments provided to TransGrid in relation to the above. They are appended to this submission as Attachment 1. However, as pointed out in the submission, overall investment in the program focused on Calperum and Taylorville stations has amounted to approximately \$18 million to date. This investment has been made on the assumption that the properties can become self-sufficient in terms of ecologically sustainable development in the foreseeable future. A high proportion of the funding is derived from the private sector.

Additionally, private and public monies have funded a new \$2.5 million environment centre associated with the Bookmark Biosphere Reserve on the outskirts of Renmark.

The ALT asserts that above-ground transmission lines through the Mallee and adjacent the Ramsar-listed wetlands puts at risk the financial viability of this project. Furthermore, any significant subversion of the program by the presence of inappropriate technology (that is, above-ground transmission systems) will result in significant and identifiable economic losses.

The location of above-ground transmission systems externalises those costs which to date had largely been regarded as unquantifiable because of their “environmental nature”. On the other hand, the undergrounding of power lines in part or in total, as exemplified by the Murraylink project, internalises the environmental costs which can be reflected in higher capital cost of the transmission system. Furthermore, a project of the type being undertaken by the ALT in the Riverland provides economic evidence of the potential costs associated with the intrusion of overhead electricity transmission systems.

It is the view of ALT that in determining the cost of alternative transmission projects, the ACCC should factor in environmental savings to provide a realistic (real cost) comparison of the alternatives.

5. CONCLUSION

As indicated above, one intention of this submission is to draw to the attention of the ACCC the environmental benefits of undergrounding power lines in the particular application being determined by the Commission. However, it is also intended that this submission will encourage the ACCC, when considering future applications of this type, to take into account in a realistic manner, the environmental costs associated with above-ground transmission systems within or adjacent to environmentally and culturally sensitive areas.

AUSTRALIAN LANDSCAPE TRUST

**SUBMISSION TO TRANSGRID
ON THE
ENVIRONMENTAL IMPACT STATEMENT
FOR THE PROPOSED SA-NSW INTERCONNECTOR
(SNI)**

AUGUST 2002

14.2 ECONOMIC IMPACTS

14.2.1 Generally

The draft EIS fails to adequately address the concept of economic development in the context of ESD or to recognise the extent and significance of past, current and future investment, both public and private, in the Bookmark Biosphere Reserve and in Calperum and Taylorville in particular.

As indicated in Section 7, investment in the Bookmark Biosphere Reserve Programme to date is in the region of \$18 million. Much of this is private money. It has been invested on the basis that the Biosphere and the two pastoral properties present the opportunity for a new approach to economic development - one that is genuinely in harmony with the ecology of the area.

The Federal Government, State and Territory Governments now accept that conservation must involve a genuine partnership between the private and public sectors. Conservation of natural resources is no longer confined to the reserves system. However, for that recognition to be perceived to be meaningful and thus to continue to encourage private sector investment, government decision-making must in practice avoid deleteriously affecting the resource in which the private sector is being asked to invest.

The construction and operation of a 275kV electricity transmission line through Calperum and Taylorville stations will subvert the natural qualities and adversely affect the objectives and aspirations of the Bookmark Biosphere Reserve and its associated programmes. It puts at risk the continuing investment of human resources and finances in the programme with consequent economic implications not only in terms of direct conventional investment and regional returns but with respect to the philosophy of ecologically sustainable development which underpins the concept of the Man and the Biosphere Programme.

14.2.2 Nature-based Tourism

As mentioned elsewhere, in addition to conservation and research functions, Biosphere Reserves are intended to have a “sustainable use” function. The ALT, managers of the Bookmark Reserve have identified nature-based tourism as the basis for such sustainable use of the Reserve. To this end, the ALT in the past, has been responsible for running a “Bookmark Guides” program, whereby people have been provided with the knowledge and experience necessary to run their own nature-based tourism operations in the region. Similarly, in the near future, the \$2m McCormick Centre for the Environment will be opened, a key role of which will be to provide support for educational, scientific and tourism entities in the region.

Such activities obviously have the potential to impact positively on the economy of the area. Indeed, several independent reports, two supported by the Regional

Development Council and one supported by the Pacific Asia Travel Association have recognised this potential. In the future then, nature-based tourism can be expected to provide much needed inputs into the local economy, create local long-term jobs and provide economic security by diversifying the economic base of the region away from the primary-production activities which currently underpin the local economy. Perhaps the most important economic benefit however, is that such tourism, facilitated and developed by the ALT through the Bookmark Biosphere Reserve Programme, represents the creation of economic opportunities which are not only consistent with, but are actually dependent upon the preservation and sustainable use of ecological resources. In other words, nature-based tourism represents a truly ecologically sustainable industry that could be of great importance to the region in the future. This stands in stark contrast to the SNI, which the draft EIS claims represents the “sustainable use” of the Biosphere simply because it seeks to minimise environmental impact “to the greatest extent possible within the limitations of project feasibility” [13-14].

Problematically, the SNI is likely to have a significant detrimental affect on the development of nature-based tourism in the area due to the aesthetic and ecological impacts on the environment on which such tourism depends. In the draft EIS however, it is argued that such effects are largely due to perceived impacts rather than actual physical impacts. Therefore, the draft EIS argues, education can be used to “manage” visitors perceptions concerning the health of the environment. The quality of the environment however, is not something which can be defined in purely physical terms. Psychological perceptions of the environment are also valid, and people are unlikely to be convinced that an environment with an Interconnector running through it is “healthy” or “natural”, even in the unlikely event that Interconnector does in fact have no significant ecological impact. Furthermore, it is arguable that many tourists are presently attracted to the area due to the perception that it is a “wilderness area”. This perception will change should the SNI be routed through Calperum and Taylorville.

In the present case then, the perceived as well as actual impact on the environment is an important consideration. Properly considered, it is argued that the affect on nature-based tourism as a result of such impacts will cause unjustified detriment to the local economy and will hinder the development of an ecologically sustainable industry. Furthermore, it is submitted that allowing the construction of the Interconnector through Calperum and Taylorville would prevent and deter private sector investment in conservation and development of sustainable land use both now and in the future (see above). The routing of the Interconnector through the two properties is therefore unacceptable.