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**Monday, 3 March 2003**

Dear Mr. Roberts

International Power (Aust) welcomes the opportunity provided by the ACCC to comment on Murraylink Transmission Company's (MTC) application to have Murraylink interconnector classified as a prescribed service under the National Electricity Code.

While we appreciate MTC's desired to convert Murraylink interconnector from an entrepreneurial network element to a regulated network, we cannot but feel that this action is a failure of the NEM. This submission will provide our view on some of the issue with the application but largely confine to the following three areas:

- Service Standards
- Pass Through
- Alternative proposals

### **Service Standards**

MTC have promoted the availability measure as the only suitable performance measure to be applied to Murraylink, as the other measures proposed by the commission are not relevant for a HVDC link. We support this view but are concerned that the availability measure in its simplest form, is unable to reflect the impact of Murraylink on the NEM. PB associates report<sup>1</sup> has proposed a refinement of the availability measure to subdivided the measure into a number of smaller categories:

- Forced Peak unavailability
- Forced Non-peak unavailability
- Planned unavailability

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<sup>1</sup> PB Associates Transmission Partnership Service Standards January 2003

The peak non-peak forced outage rate split as proposed goes some way to alleviating our concern but a measure that takes into consideration the price separation between the regions that the interconnect couples together would be far superior.

MTC have promoted the idea of a monthly test against the availability measure while PB Associated have disagreed with this proposal and suggested an annual measure as applied to other TNSP's more reflective of NEM requirements. IPR recommend a combination of both measurement time frames with a slightly relaxed unavailability measure applied the monthly test.

As previously discussed, the MTC application proposed a single availability performance criteria but on goes on further by introducing the concept of  $\pm 1\%$  dead band around that availability value. This increases revenue certainty for MTC at the expense of network availability to the NEM. The whole process of applying performance criteria is to assign a commercial incentive to TNSP's to perform to the expectations of the NEM. Consequently, any process that reduces that expectation is not acceptable. The dead band does not guarantee the NEM that MTC have adopted an efficient management process to return the Murraylink interconnector to service following a forced outage. Finally, our understanding is this network comfort criterion has not been applied to other TNSP's and therefore inappropriate in this case.

There is little history on the performance of Murraylink from which to determine an acceptable performance level although MTC have proposed 97% availability. Based on the technology and recent improvement, PB Associates have reported a performance of 98.2% based on the manufacturers experience. Similarly, CIGRE provides a reference for international standards and performance for HVDC links around the world and specify both performance values and measurement structures. Section 7 of the PB Associates report details this evaluation and IPR supports the performance measures as published in , table 7.2 (*Recommended Performance Incentives*), be apply to Murraylink interconnector.

### **Pass Through for Identified Events**

The applicant has given a firm intention to seek the ACCC approval for pass throughs for predefined events that result in unforeseen liabilities on MTC. This issue of pass throughs and the definition of pass through events needs to be addressed across the whole NEM to ensure a pass through is not discriminately applied. Distributors have long argued for cost certainty to their business is paramount as they themselves are unable to pass through these additional cost burdens until the next regulatory period. Hence, IPR feel that the proposed MTC application for allowable pass throughs be denied or stringent conditions applied until such time as new arrangements for the NEM have been implemented.

### **Alternatives**

During December 1999 the South Australia Electricity Industry Planning Council issued a discussion paper on reinforcement of the electricity supply to the Riverland region of South Australia. In response Synergen submitted a generation solution that would meet the short-term electricity supply shortfalls, provide network support, deferred the high capital expenditure associated with network development and ultimately, a more economic solution. In the end, TransÉnergie provided a market-based solution that resolved the Riverland problems. The concern is why option 5 was not explored further as Synergen's submission at the time demonstrated clear economic advantages although we acknowledge that the proposal was unlikely to offer the wide market benefits compared with an interconnector.

If you require further explanation of IPR's position in regard to this submission, please contact myself on telephone number, 03 9617 8410.

Yours sincerely,

Michael Downey  
Market Development Manager