

11 September 2015

Mr Stephen Pearce  
Manager, Economics  
Essential Services Commission of South Australia  
GPO Box 2605  
Adelaide SA 5001

Submitted via email: [escosa@escosa.sa.gov.au](mailto:escosa@escosa.sa.gov.au)

Dear Mr Pearce

### **Proposed variation to clause 2.4.1 of the Electricity Transmission Code**

The Energy Supply Association of Australia (esaa) welcomes the opportunity to make a submission to the Essential Services Commission of South Australia (Commission) Discussion Paper on the proposed variation to clause 2.4.1 of the Electricity Transmission Code (ETC) for the Baroota connection point.

The esaa is the peak industry body for the stationary energy sector in Australia and represents the policy positions of the Chief Executives of 34 electricity and downstream natural gas businesses. These businesses own and operate some \$120 billion in assets, employ more than 59,000 people and contribute \$24.1 billion directly to the nation's Gross Domestic Product.

The esaa supports the consideration by the Commission to remove the requirement for ElectraNet to upgrade the Baroota connection point from Category 1 to Category 2 from 1 December 2017 based on revised analysis indicating the upgrade is no longer economically justifiable. We agree that were the upgrade to occur, the cost would be borne by all electricity customers in South Australia and that those costs would outweigh the associated benefits of improved reliability based on the revised analysis.<sup>1</sup>

The initial decision for the reliability upgrade at the Baroota connection point from 1 December 2017 was made following a 2011 review of the ETC based on economic analysis provided by the Australian Energy Market Operator (AEMO) in 2010. The esaa understands this analysis and forecast planning assumptions were to inform the ElectraNet 2013-18 revenue determination.

The National Electricity Market has undergone profound change since AEMO provided the initial analysis justifying the reliability upgrade at Baroota in 2010. The decline in demand and rapid uptake of solar PV in addition to energy efficiency and demand management has created significant uncertainty around demand forecasts and assumed benefits for any network or non-network solution to address reliability standards or other identified need.

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<sup>1</sup> ESCOSA 2015, 'Proposed variation to clause 2.4.1 of the Electricity Transmission Code, Discussion Paper,' Adelaide, 14 August 2015. p. 2.


The esaa supports flexible planning arrangements that are capable of responding to changing circumstances to ensure investment decisions reflect the cost that customers are willing to pay. The national value of customer reliability developed by AEMO and recommendation for a nationally consistent approach for economically derived reliability standards (expressed deterministically) by the Australian Energy Market Commission are both examples of options creating flexibility into the planning process and a more accurate assessment of assumed benefits. We note that the SA planning framework already aligns with the AEMC's approach in these respects.

The esaa recognises the additional analysis undertaken by ElectraNet to assess the economic justification for the reliability upgrade at Baroota for the Project Assessment Draft Report. The analysis is a clear example of the more accurate forecasts, refined assumptions and additional potential options that could be identified and assessed closer to when the investment decision needs to be made or on a just-in-time basis.

The recommendation to revise the reliability standard at the Baroota connection point from Category 2 to Category 1 is a welcome initiative by ElectraNet to changing market circumstances. The esaa supports the decision by the Commission to codify the revision to the ETC where contemporaneous analysis indicates the cost to be borne by South Australian customers would outweigh any benefit from improved reliability at the Baroota connection point.

Should you have any questions or would like to discuss this submission further, please contact Fergus Pope on 03 9205 3107 or [Fergus.Pope@esaa.com.au](mailto:Fergus.Pope@esaa.com.au).

Yours sincerely



**Kieran Donoghue**  
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