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Dr Ray Challen
Steering Committee Chairman
Electricity Market Review (Phase 2)
Public Utilities Office
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By email: electricitymarketreview@finance.wa.gov.au

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Dear Dr Challen

RESPONSE TO POSITION PAPER ON THE ROLE OF THE AUSTRALIAN ENERGY MARKET OPERATOR IN LOCAL TRANSMISSION NETWORK PLANNING

Introduction

Bluewaters Power welcomes the opportunity to provide comments on the issues contained within the “Position Paper on the Role of the Australian Energy Market Operator in Local Transmission Network Planning” (Position Paper) published 23 June 2016.

Bluewaters Power participates in the WA Wholesale Electricity Market as follows:

- **Generation:** 2 x 220MW (sent out) coal fired power stations, Bluewaters 1 and Bluewaters 2, located in Collie, and each “certified” by the IMO for 217MW of capacity. The power stations were both fully commissioned in 2009 (albeit 6 months apart) and typically provide ~15% to 20% of the energy consumed in Western Australia.
- **Retail:** Bluewaters holds a Retail License and has long term contracts to supply ~220MW of retail load ie. Bluewaters has service responsibility for NMIs which may draw up to 220MW, representing ~7.5% of total retail energy consumption on the SWIS.

The Bluewaters assets are owned by Sumitomo Corporation and Kansai Electric. Additionally, Sumitomo Corporation has a 50% interest in the NewGen Power Kwinana Power Station (328MW CCGT).

Bluewaters’ position

Bluewaters is generally supportive of the arrangements proposed in the Position Paper.

Bluewaters agrees with the Position Paper that the Transmission Network Outlook (TNO) would improve transparency through the provision of independent and credible information on existing and future network capability and congestion in the South West Interconnected System (SWIS). We also agree that the TNO would enable Wholesale Electricity Market participants in particular to make more cost effective and informed operational and investment decisions.

Bluewaters believes that within Western Power is considerable SWIS network experience and technical knowledge and as such is the most suitable body to be appointed as the jurisdictional planning body supporting the AEMO TNO processes.

Bluewaters is supportive of the proposals to publish the TNO as part of the Electricity Statement of Opportunities (ESOO) and believes this should deliver an element of production efficiency to the process.

Bluewaters is supportive of the proposal to set the initial forecast horizon to at least 10 years, with the Australian Energy Market Operator (AEMO) given flexibility to extend the horizon beyond 10 years where it considers it necessary.

Bluewaters is supportive of the proposed content of the TNO database but notes that some of the information will potentially be commercially sensitive.

Bluewaters notes the proposal to empower the AEMO to seek information from Western Power and market participants to develop connection point electricity and demand forecasts. We are supportive of this but again note the potential to be gathering (and possibly publishing) highly commercially sensitivity information.

Bluewaters proposes that the PUO ensure the information gathering provisions:

- Require the AEMO to put in place robust measures to manage the commercial sensitivity of this information. This includes, but not limited to, properly determining the appropriateness of the type of information proposed to be gathered, the electronic and physical storage security, and managing and limiting the personnel that have access to any such information.
- Ensure the information gathering powers are not so open as to allow AEMO to ask any question it (autonomously) determines is related to the task. The information must be determined as being core to the task and not simply an information 'land grab'. This is a concern with other existing processes and ideally should be avoided as these new processes and tasks are created.
- Include an annual and independent audit of the processes and security of this information.

Costs of Development and Maintenance, and Cost Recovery:

Generically Bluewaters believes it will be important that cost-accountability and transparency across all AEMO functions in WA is maintained in order to determine a) they are reasonable and under control, and b) that WA participants do not cross-subsidise other AEMO activities and costs. In keeping with the overall Objectives of the EMR Bluewaters hopes the PUO in particular will share a similar philosophy across this and all other work streams and AEMO functions.

The paper is somewhat confusing in its estimation of costs where it states, "[The initial indicative cost of producing forecasts of electricity demand and the Transmission Network Outlook publication, and the development and operation of the Transmission Network Outlook database is expected to be approximately \\$500,000 per annum.](#)" Bluewaters accepts that the "initial" cost to develop the forecasts and TNO, and the database, may be \$500,000, however we are concerned that it might cost \$500,000/annum ongoing, particularly if it is encapsulated within the ESOO process. In the interestes of transparency (particularly to those participants actually funding these processes), Bluewaters would like the direct costs of establishing and maintaining the TNO and database itemised and published annually.

Bluewaters would like to see a cost recovery model where costs are levied to ALL participants, not just on an energy basis. As all participants will benefit from the information (and potentially participants that don't have a business model that primarily involves generating electricity may actually benefit more), all should pay for the costs.

Bluewaters thanks the Steering Committee for considering our comments. Please feel free to contact us if you have any queries or wish to discuss further.

Yours sincerely,

Andrew Stevens
General Manager – Regulatory and External Services