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Manager Projects Access
Economic Regulation Authority
PO Box 8469
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RE: Proposed Variations to Western Power's Access Arrangement for 2009/10 to 2011/12: Applications and Queuing Policy (AQP).

Griffin Energy (Griffin) welcomes the opportunity to provide comment on your issues paper.

Griffin has been an advocate of reform to the AQP for some time. We, along with other project proponents, have been frustrated by the existing AQP. However, we acknowledge that the primary reason for this frustration has been due to the lack of adequate transmission capacity at all levels in the SWIS. While improvements to the AQP would be welcome, Griffin believes the fundamental problems of transmission system adequacy (and the appropriate application of the New Facilities Investment Test (NFIT) under the Access Code) must be addressed before the current (or any new) AQP is able to be effective.

Griffin's main issue with the proposed AQP concerns the concept of the Competing Applications Group (CAG). If there was unlimited transmission capacity, then project proponents would not compete for the right to connect. However, this does not suggest that competing project proponents would all connect their facilities to the network. Most competing project proponents are competing for a limited demand. The average demand growth in the SWIS is relatively small. The fact that project proponents are competing typically means that success for one will mean failure for another. Western Power has assumed that a CAG contains project proponents that have mutually exclusive projects. That is, given the opportunity to share connection costs, all projects will proceed. Griffin is concerned that the CAG process will become unworkable as all competing project proponents will remain in the process (to the extent they are able to meet the financial commitments) until one or more of the proponents are successful in securing the necessary funding and/or offtake arrangements to complete their projects. At this point, it is likely the unsuccessful project proponents will drop away. This means the capital contribution which was initially spread among several competing projects will now only be levied against the successful project(s). This will increase the quantum of capital contribution of the successful project(s). Such an increase may render the projects uneconomic – which brings us back to the situation

we currently face, where the project at the top of the queue is uneconomic as it is exposed to (all of the) considerable capital contributions to connect to the network.

Griffin has previously advocated a process it believes is a hybrid of the existing and proposed AQPs. Maintaining the queue on a first-come-first-served basis has some merit with regard to equity. However the issue of 'speculative' projects blocking 'serious' project proponents has been an ongoing problem. We believe a simpler method of requiring a series of payments, proportional to the size and scope of the project[1], and escalating as the project progresses (similar to the payments outlined in Western Power's proposed AQP), would ensure that only those projects that had good chances of progressing would remain in the queue. Projects would be able to 'jump' competing projects in the queue if they were able to meet the necessary payment obligations and if projects in front of them were not (or unwilling to do so). Payments made to Western Power would offset costs of relevant studies or network charges – as described in the proposed AQP, so it would not be a payment for queue position *per se*, but an indication of the certainty of the project proponent in advancing their application.

Griffin acknowledges the work done by Western Power in promoting a new AQP; and believes that generally, the proposed AQP will have merit over the existing AQP. However we also believe that more fundamental problems exist with regard to connecting efficient new generation facilities to the SWIS which need to be addressed before either AQP process will be effective. We also believe that the CAG concept is flawed and that a simpler hybrid AQP would be preferable. Given the relative dearth of capacity available in the SWIS at the moment[2], and the improvements required to be made in the application of the NFIT – which is actively being developed by Western Power under its AA3 process, Griffin is of the opinion that the application by Western Power to alter the current Access Arrangement be postponed and that a revised AQP be included in the upcoming AA3 application.

Should you have any questions regarding our comments, I can be contacted on [redacted]

Yours sincerely

[redacted]

Shane Cremin
GM – Policy & Strategy

[1] To ensure smaller developers are not disadvantaged, payments would be proportional to the value of the project being proposed.
[2] No new large scale generation facility is currently able to connect to the SWIS until significant augmentation to the northern and southern sections of the bulk transmission system is undertaken.