

21 August 2013

Dr Malcolm Roberts
Chair
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Dr Roberts

Re: Capricornia System Rules – Draft Decision

Stanwell Corporation Limited (Stanwell) welcomes the opportunity to comment on the Queensland Competition Authority (the Authority) Draft Decision on the Capricornia System Rules (the Rules). We have a keen interest in the development of the Rules. Coal deliveries to Stanwell Power Station are serviced by the Capricornia coal system. As a market participant in the National Electricity Market (NEM), however, we are keen to ensure the scheduling arrangements do not reduce the level of system reliability to Queensland customers. Of particular interest to Stanwell is the path allocation process outlined in Draft Decision 3.2 as it relates to power stations. We are concerned about the impacts removing the priority provided to trains destined for power stations could have on the continued supply of energy to customers, but recognise more clarity needs to be provided as the circumstances in which such priority is applied.

As background, Stanwell is a Queensland based generator with the capacity to supply more than 45% of the State's peak power needs. We are a diversified energy company with an energy portfolio comprising coal, gas, diesel and hydro power generation facilities geographically dispersed across Queensland. We actively trade in the wholesale electricity and gas markets and have retail interests in Queensland and New South Wales. We are keenly interested in issues that impact the structure and reliability of the market.

Regarding train servicing to power stations, Aurizon Network, in the Draft System Rules, proposed that domestic cyclic services destined for these facilities receive priority over coal-export cyclic services as a measure to ensure that power stations receive critical coal deliveries to maintain the supply of electricity to Queensland customers. Stanwell acknowledges the importance for equity in the scheduling of trains, however, there are some instances where priority scheduling for power station deliveries could be appropriate and necessary. Such a requirement is unlikely to be utilised under "normal operating conditions", but it would provide an important safeguard if coal deliveries to power stations are disrupted for a period and fuel limitations are threatening electricity supplies to customers. We can appreciate this priority servicing would be less of a requirement if Queensland was part of a "highly meshed electrical network".

We note the Authority, in its Draft Decision, considers that contracted cyclic services destined for a power station should **not** receive priority over contract cyclic services destined for the port terminals if there is no statutory or undertaking requirement. In forming its position, the Authority states:

....that Queensland is part of the NEM, which means the State's energy security has been, to a large extent, protected by the integration of the State's electricity network with generation assets in other states along the eastern seaboard.

In referring to the NEM in the context of reliability it is important to note the primary drivers in establishing the NEM were to create a competitive market enabling customers to access the lowest cost energy supply across participating regions. While the NEM does provide for some sharing of reliability mechanisms across regions, it is mainly in the form of network stability (e.g. frequency control) rather than energy supply (i.e. megawatts). The electrical network underpinning the NEM (and Queensland) is characterised as "long and skinny" and the level of interconnection between the regions is limited. Specifically, Queensland has one primary connection with the main New South Wales electricity grid and there are no plans by the grid owners (Powerlink and Transgrid) to reinforce or upgrade this link in the near future. The Queensland-Network-Interconnector (QNI) regularly reaches its flow limits under normal operating conditions. It is not inconceivable that a fuel supply disruption event may coincide with binding constraints and/or a system security event on the interconnector itself.

Further, while the network is planned and built to meet customer reliability standards, the scenarios underpinning the analysis do not typically contemplate a major fuel disruption to critical power stations. For example it is unlikely the impacts of the 2013 floods and the flow-on impacts for central Queensland generators would form part of routine customer reliability analysis.

It is for these reasons that system security remains largely a regional issue and we encourage the Authority reconsiders the extent to which Queensland's interconnection with the NEM could confidently support the delivery of electricity supply to Queensland customers if output from Queensland generators is disrupted due to fuel supply limitations. Stanwell considers there is benefit in retaining some level of priority servicing under an agreed set of circumstances. We suggest a set of triggers are established to provide detailed guidance as to when these arrangements are applied. While careful consideration needs to be given to defining the triggers, we would expect priority should apply as a result of an event (outside the control the generators) which interrupts coal supply to power stations for more than a defined period (e.g. seven days or another timeframe after which electricity supply could be materially impacted).

Stanwell would welcome the opportunity to hold further discussions with the Authority on defining an appropriate set of trigger events. Our contacts on this specific matter are Ms Natalie Gordon and Ms Erin Bledsoe and their contact details are outlined below:

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Yours sincerely



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