

Disclaimer

While care was taken in preparation of the information in this discussion paper, and it is provided in good faith, Ergon Energy Corporation Limited accepts no responsibility or liability for any loss or damage that may be incurred by any person acting in reliance on this information or assumptions drawn from it. This discussion paper has been prepared for the purpose of inviting information, comment and discussion from interested parties. The document has been prepared using information provided by a number of third parties. It contains assumptions regarding, among other things, economic growth and load forecasts which may or may not prove to be correct. All information should be independently verified to the extent possible before assessing any investment proposals.

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY	2
2. INTRODUCTION	2
3. BACKGROUND & PURPOSE FOR THIS FINAL REPORT.....	3
3.1. Background.....	3
3.2. Purpose of this “Final Report”.....	3
4. REVISED NETWORK CONDITIONS.....	4
5. FINAL REPORT (& DECISION)	4

1. EXECUTIVE SUMMARY

Ergon Energy is responsible (under its Distribution Authority) for electricity supply to the Toowoomba area in southern Queensland. We had identified emerging limitations in the electricity distribution network supplying northern Toowoomba. Ergon Energy published a Request for Information relating to this emerging network constraint on 7 October 2009.

Subsequent to the reporting of this emerging limitation new network reliability criteria have been adopted and the expected demand levels on the network in this area have reduced considerably. The combined result of these factors is that there is no longer an emerging constraint, and as such there is no longer a need to follow the Regulatory Test process for establishment of a new large distribution network asset.

In accordance with the requirements of the National Electricity Rules this is now a Final Report where it is Ergon Energy's decision that no large new assets are required at this time and that no further Regulatory Testing is applicable at this time.

Information relating to the consultation about this project is provided on our web site:

http://www.ergon.com.au/network_info/consultations/default.asp

For further information, please contact:

Glenys Davies
Ph (07) 4931 2661
Email: Glenys.Davies@ergon.com.au

2. INTRODUCTION

Ergon Energy Corporation Limited (Ergon Energy) had identified emerging limitations in the electricity distribution network supplying northern Toowoomba.

When a distribution network service provider proposes to establish a new large distribution network asset to address such limitations, it is required under the National Electricity Rules (the "Rules") clause 5.6.2(f) to consult with affected Rules Participants, AEMO and Interested Parties on possible options to address the limitations. These options may include but are not limited to demand side options, generation options, and market network service provider options.

As part of the consultation process Ergon Energy published in October 2009 a Request for Information document to identify potential solutions to address the emerging distribution network limitations.

Subsequent to identification of emerging limitations in the electricity distribution network supplying Northern Toowoomba and the publishing of the Request for Information, events occurred which removed the emerging network limitation and hence the need for establishment of a new large distribution network asset.

This Final Report proposes that works are no longer required within the next 6 years to provide additional 33kV feeder capacity to the north Toowoomba area and that the Regulatory Test process commenced in October 2009 is no longer required and should be terminated.

Information relating to the consultation about this project is provided on our web site:

http://www.ergon.com.au/network_info/consultations/default.asp

For further information, please contact:

Glenys Davies
Ph (07) 4931 2661
Email: Glenys.Davies@ergon.com.au

3. BACKGROUND & PURPOSE FOR THIS FINAL REPORT

3.1. Background

If technical limits of the distribution system will be exceeded and the rectification options are likely to exceed \$10M, Ergon Energy is required under the National Electricity Rules¹ to notify Rules Participants² and Interested Parties³ within the time required for corrective action and meet the following regulatory requirements:

- Consult with Rules Participants and Interested Parties regarding possible solutions that may include local generation, demand side management and market network service provider options⁴.
- Demonstrate proper consideration of various scenarios, including reasonable forecasts of electricity demand, efficient operating costs, avoidable costs, costs of ancillary services and the ability of alternative options to satisfy emerging network limitations under these scenarios.
- Ensure the recommended solution meets reliability requirements while minimising the present value of costs when compared to alternative solutions⁵.

Ergon Energy is responsible for electricity supply to the North Toowoomba area (under its Distribution Authority). Ergon Energy had identified emerging limitations in the electricity distribution network supplying north Toowoomba. The load on Ergon Energy's 33kV lines supplying North Street substation has progressively increased such that augmentation was required if reliable supply was to be maintained. Consultation with Rules Participants and Interested Parties regarding possible solutions that may include local generation, demand side management and market network service provider options⁶ had commenced with the publishing of the Request for Information in October 2009.

3.2. Purpose of this “Final Report”

The purpose of this final report is to:

- Provide information on the occurrence of changes to the forecast network conditions since the Request for Information was issued.
- Advise that due to these expected changes to network conditions the previously expected network limitations are not expected to occur and Ergon Energy is not proposing to establish a new large distribution network asset to address such limitations.
- Recommend that the Regulatory process for northern Toowoomba be terminated.

¹ Section 5.6.2(f)

² As defined in the National Electricity Law and the National Electricity Rules and including AEMO.

³ As defined in the National Electricity Rules.

⁴ National Electricity Rules section 5.6.2(f)

⁵ In accordance with the ACCC's Regulatory Test Version 2.

4. REVISED NETWORK CONDITIONS

Conditions have changed since the planning report was developed and the Request for Information published. These changes are as follows:

- a) The Network Security Criteria has revised and the present 33kV supply feeder arrangement does not breach the new criteria.

- b) Information has been received that a number of large customer loads are closing down and/or scaling back. These loads represent demand reductions of about 6MVA on the North Street backup 33kV feeder and 1.5MVA on the North Street zone substation demand. Therefore full backup of the 33kV incoming feeder capacity is not now forecast to be required to North Street substation until about 2018.

Based on the above the network augmentation project option to establish a second Torrington-North Street 33kV feeder is no longer required at this time and it has been removed from the capital works plan. As the emerging network limitations and the proposed establishment of a new large distribution network asset to address such limitations no longer exist then a Regulatory Test is no longer required to be completed at this time.

5. FINAL REPORT (& DECISION)

Based on the revised network conditions, it is Ergon Energy's decision that no large new assets are required at this time and that no further Regulatory Testing is applicable. The regulatory test process will be commenced in full when network conditions once again identify an emerging constraint.