

A National Grid Project

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C2001/742

Basslink

Facsimile Transmission

TO: KENNY YAP ACCC
FAX NO: +61 02 6243 1260
CC: _____
FROM: IAN BURGWIN
DATE: 25/9/02 NO. OF PAGES: 6
(Incl. this page)
SUBJECT: BASSLINK ACCESS UNDERTAKING

Kenny

Please find attached a signed copy of
Ho Access Undertaking, as discussed.

If you need anything more, please give me
a call.

I'd appreciate a quick email to confirm
receipt

Regards

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57 records created

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**Undertaking Given to the Australian Competition and
Consumer Commission Under Section 44ZZA of the
Trade Practices Act 1974**

This undertaking is given by Basslink Pty Limited (ACN 090 996 231) of Level 12, 356 Collins Street, Melbourne, Victoria, Australia 3000 (**Basslink**).

1 Effective date

This undertaking has effect from the date on which it is accepted by the Australian Competition and Consumer Commission.

2 Expiry date

This undertaking expires on:

- (a) the *National Electricity Code* expiring as an access code accepted by the Australian Competition and Consumer Commission under section 44ZZAA of the Trade Practices Act 1974;
- (b) any material change of ownership or control of Basslink; or
- (c) any material change in the *market network service* or assets used to provide the *market network service*, as specified in paragraph 4,

whichever occurs first.

3 Interpretation

Words appearing in italics in this undertaking have the meaning given to them by Chapter 10 of the *National Electricity Code*.

4 Undertaking

On registration by NEMMCO as a *Market Network Service Provider*, Basslink undertakes to provide access to those *market network services* of its *transmission network* provided with assets including those set out in Annexure A on the terms and conditions set out below.

5 Terms and conditions of connection and access

Basslink undertakes to maintain and make available its *network* for access to the *market network services*:

- (a) by *Code Participants* in accordance with the requirements of the *Code*;
- (b) at prices determined in accordance with clause 3.9 of the *Code*; and
- (c) by all persons in accordance with *applicable regulatory instruments*, being:

- (1) in respect of Victoria, the Electricity Industry Act 2000 (EI Act), all regulations made and licences (Victorian Licences) issued under the EI Act, the Office of the Regulator-General Act 1994 (ORG Act), all regulations and determinations made under the ORG Act, all regulatory instruments applicable under the Victorian Licences and the Tariff Order as defined in the EI Act; and
- (2) in respect of Tasmania, the Electricity Supply Industry Act 1995 (ESI Act), all regulations made and licences (Tasmanian Licences) issued under the ESI Act and all regulatory instruments applicable under the ESI Act or the Tasmanian Licences (including without limitation, determinations of the Tasmanian Electricity Regulator under the Electricity Supply Industry (Price Control) Regulations).

6 Bidding

Basslink undertakes that it will operate its *transmission network* in accordance with the provisions of the Basslink Services Agreement (BSA) between Basslink and the Hydro-Electric Corporation (Hydro Tasmania), which provides that the *network dispatch offers* must not specify a price other than zero, unless Hydro Tasmania requests Basslink to do so, and specifies a price for the *network dispatch offer*, which must not be less than zero without Basslink's consent.


7 Withdrawal or variation of undertaking

Basslink may, with the consent of the Australian Competition and Consumer Commission, withdraw or vary this undertaking at any time.

Signed for
Basslink Pty Ltd
by its duly authorised representative
in the presence of:

Witness


IAN BURGWIN
Name (please print)


Representative

GEOFF SINGLETON
Name (please print)

Annexure A

The Basslink Project

The Basslink project is the proposed undersea electricity link across the Bass Strait connecting the Tasmanian and Victorian electricity grids. The project consists of the design, construction and ongoing operation and maintenance of this interconnector which is expected to be completed and operational by late 2003.

The main assets of Basslink will include a high voltage direct current undersea cable across Bass Strait (approximately 250 kilometres); AC/DC converter stations in Tasmania and Victoria; DC connecting circuits to the converter stations; and AC transmission connections to the Tasmanian and Victorian transmission networks.

It is intended that the Basslink project will assist in meeting Tasmania's growing demand for electricity and will enable the State to participate in south-eastern Australia's National Electricity Market (NEM). The two-way power transfer capability of the Basslink project will release the technical and economic benefits arising from the complementary nature of the energy constrained Tasmanian hydro generation system and the capacity constrained thermal dominated system in Victoria.

Further details of the arrangements relating to Tasmania's entry to the NEM appear on the ACCC website: www.accc.gov.au.

Basslink Pty Ltd

Basslink Pty Ltd is a special purpose subsidiary of National Grid Group plc, which is a UK based entity and is one of the largest independent electricity transmission companies in the world. National Grid Group plc owns and operates the high voltage network in England and Wales, connecting generators with distribution companies and major customers, together with interconnectors with Scotland and France. Basslink Pty Ltd is acting as the project company and is responsible for the design, construction and operation of the interconnector.

Participation in the National Electricity Market and pricing

Basslink will be registered with NEMMCO as a Market Network Service Provider for the purpose of participation in the NEM.

From commencement of operation, Basslink will submit dispatch offers to NEMMCO in accordance with the National Electricity Code (Code) in relation to the import or export capacity of the interconnector available for transmission of electricity. Essentially, an MNSP submits "transport bids" to NEMMCO, indicating the capacity of its link available for dispatch at up to 10 different price bands. Each price band represents the net revenue expected to be earned by the MNSP, based on the difference between the electricity prices at either end of the MNSP's link. The MNSP is free to specify any price bands, up to a maximum of VOLL.

Whether or not the interconnector is dispatched (and, if so, at what volume and price) will be determined by NEMMCO in accordance with the usual market dispatch processes in Chapter 3 of the Code.

Basslink Services Agreement

Basslink has entered into the BSA with Hydro Tasmania. A summary of the provisions of the BSA can be obtained from the ACCC's website referred to above. Under the BSA, the interregional settlement residue received by Basslink Pty Ltd (which is based on the electricity spot price differential between Tasmania and Victoria and the volume of electricity transported across the interconnector) will be sold to the Hydro Tasmania in return for a more stable facility fee. BPL remains exposed to movements in the spot price of electricity through a risk sharing adjustment mechanism to the facility fee.

Under the BSA, Basslink Pty Ltd has obligations to ensure that the interconnector is available for dispatch within its specified "technical envelope", the main elements of which are:

- a continuous rating of 480MW (although imports into Tasmania are expected to be constrained initially to 300MW due to system security constraints); and
- a dynamic rating of 600MW, which is available after the interconnector has been run at 300MW or less for more than 6 hours.

Changes

Clause 2(b) of the access undertaking provides that the undertaking expires on any material change of ownership or control of Basslink. For the purposes of determining whether a change of ownership or control of Basslink is material, the following procedure will apply:

- (a) Basslink must notify the ACCC in writing as soon as practicable after it becomes aware of a change of ownership or control of Basslink;
- (b) if, in the reasonable opinion of the ACCC, the change in ownership or control will or is likely to materially affect access to the *network services* of Basslink's *transmission network*, the ACCC may notify Basslink in writing of that opinion;
- (c) as soon as practicable after receipt by Basslink of the notice referred to in paragraph (b) above, Basslink and the ACCC must discuss what (if any) measures could be implemented to address the ACCC's concerns regarding access (such as amendments to Basslink's access undertaking or the lodgment of a new access undertaking);
- (d) if the ACCC and Basslink cannot agree on a course of action that addresses the ACCC's concerns regarding access within 20 days of the commencement of the discussions referred to in paragraph (c) above, the ACCC may notify Basslink in writing that the access undertaking will expire on a date specified in the notice, which must be not less than 20 days after the notice is sent to Basslink; and

- (e) the undertaking expires on the expiry date specified in the notice referred to in paragraph (d) above.

Conclusion

Basslink will assist in meeting Tasmania's growing demand for electricity and will help facilitate the State's participation in the NEM, resulting in benefits both for Tasmanian and other NEM customers. In particular, Basslink will enable the trading in electricity between Tasmania and other NEM jurisdictions, capturing the economic benefits of exchange between an energy constrained Tasmanian hydro power system and the mainly capacity constrained thermal power systems of other NEM jurisdictions.