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Ben Wu  
Manager Pricing and Billing  
Powerlink  
Email submission to:  
[pqpricing@powerlink.com.au](mailto:pqpricing@powerlink.com.au)

25 September 2020

Dear Ben

**Re: Consultation Paper: Transmission Pricing Consultation – Draft Positions August 2020**

RTA Yarwun Pty Limited (RTAY) welcomes the opportunity to make a submission to Powerlink on the Transmission Pricing Consultation – Draft Positions paper (the “Consultation Paper”). This paper outlines four options that Powerlink is consulting on in respect of pricing methodology and the revenue determination that applies from 1 July 2022 to 30 June 2027.

The Yarwun alumina refinery contributes strongly to the Gladstone region, with around 1100 full time employees and contractors employed at the refinery and a 2019 direct economic contribution to the Australian economy of \$615 million, including a \$202 million local spend and \$107 million in wages and salaries paid.

With regard to transmission pricing and the location of load, RTAY recognises the importance of making positive choices with regard to the location of load with respect to transmission infrastructure as part of managing the broader transition to a secure, reliable, least-cost grid that supports meeting Australia’s emission reduction commitments.

While Powerlink’s consultation is in respect of the distribution of charges between consumers, RTAY urges that Powerlink works with all stakeholders to seek to minimise the absolute cost of transmission and set strong objectives to lower costs to Queensland industry and households in respect of the revenue determination from 1 July 2022 to 30 June 2027. Changes to the distribution of charges have the potential to be much more acceptable in a context where no customer is worse off.

Powerlink has outlined for consultation four specific changes in the Consultation Paper, specifically:

Should Powerlink propose in its 2023-27 Pricing Methodology:

- a. a 60/40 split of locational/non-locational charges (Change 1); and/or
- b. having locational charges based on peak demand only (Change 2)?

These arrangements can be put in place under the existing National Electricity Rules (the Rules).

Should Powerlink progress as part of a future Rule change:

- a. MVA charges (Change 3); and/or
- b. changes to the side constraint mechanism (Change 4)?

With respect to the four specific changes Powerlink has raised in the Consultation Paper, the primary intention of the changes is to drive more effective locational decision making within the Queensland grid. However, demand in Queensland is expected to be relatively flat in the revenue determination period so there is actually limited locational decision making in respect of load that is likely to be made. Furthermore, the Yarwun Alumina refinery is already well located in respect of minimising the impact that it has on the transmission network – the Gladstone region has both significant loads and significant generation – the underlying physics of generation and load will mean that most electrons flow locally, particularly for RTAY which is for most of the year a net generator supplying both the steam and electricity demands of the Yarwun Alumina refinery and also exporting electricity to the grid. For those short periods when the Yarwun gas turbine is shut down, the Yarwun refinery is located very physically close to the Gladstone Power Station and the underlying physics mean it will draw from this local generation infrastructure. This is an extremely effective location in terms of transmission infrastructure utilisation. The Yarwun alumina refinery plans outages during the off-peak period of the year, further minimising impact on the transmission infrastructure.

As has been discussed with Powerlink, the practical outworking of the Yarwun alumina refinery operation as a generator exporting electricity to the grid for most of the year and importing for a small outage period is that RTAY's transmission charges are dominated by the locational component of the transmission charge i.e. RTAY is in fact experiencing a much stronger signal regarding locational charges than almost any other load in Queensland. This effect is currently so large that were the current side constraint mechanism (Change 4) to be lifted, RTAY's transmission charges would fall significantly.

Accordingly, the primary concern of RTAY is that by increasing the locational/non-locational split (Change 1) and making locational changes based on peak demand (Change 2), this will materially and inequitably drive increased costs for RTAY as it will exaggerate the already strong locational pricing structure that RTAY already sees. RTAY has no way to alleviate these increased charges and the net effect is that one of the most well located and already efficiently price signalled assets in Queensland would be materially disadvantaged. Additionally, the current COGATI process and proposed changes being considered by the Energy Security Board for transitioning the National Electricity Market (NEM) to a post-2025 design are also focussed on driving the decisions of both load and generation regarding location and have the potential to interact materially with Powerlink changes 1 and 2 that increase the emphasis on locational pricing. For these two reasons, RTAY does not support these changes.

Changes 3 and 4 require changes to the National Electricity Rules and as set out in the consultation paper do not have strong precedent elsewhere in the National Electricity Market. As noted already, with the wave of changes anticipated and contemplated in the NEM, we are cautious about the interactive effects with other changes and particularly the appetite of stakeholders to pursue the changes required for removal of the side constraint. As noted above, removal of the side constraint would reduce RTAY costs to a more equitable level – while we are supportive of this change our concern is that the threshold in terms of both process requirements and stakeholder engagement to achieve this cost reduction is much higher than for Changes 1 and 2 which we do not support. On balance, we would therefore support a position where there are no changes implemented by Powerlink in respect of the 2022-2027 Revenue Determination and that Powerlink instead focus on reducing the overall cost burden for all consumers.

**RioTinto**

RTAY looks forward to engaging with Powerlink further on the content of the Consultation Paper and also would welcome the opportunity to discuss this submission as part of that process. If you have any questions in the interim, please contact Daniel Woodfield ([Daniel.Woodfield@riotinto.com](mailto:Daniel.Woodfield@riotinto.com)).

Yours sincerely,



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Yarwun Alumina Refinery