



**ENGINEERS  
AUSTRALIA**

## A Word from your President

### Getting the Infrastructure Spend Right



In the recent budget there was focus on the infrastructure spending of the nation. In summarising the budget down to a 30 minute speech, the emphasis is on the dollar amounts and little on what is to be built. Ensuring the nation has effective infrastructure is one of the most important things a government needs to achieve. Infrastructure is of course provided by all levels of government and the private sector and includes electricity, gas, transport, water and communications.

Targeting the infrastructure spend to achieve the best possible outcomes is critical. Spend funds wisely and the nation's productivity will soar. Spend it badly and we end up with underutilised, stranded assets that will pull our economy down. In my view, our future economic prosperity is totally dependent on getting the infrastructure spend right. It is the combined decision making of government at all three levels plus the market driven private sector that determines which competing projects will attract the limited available funding. Our future prosperity is linked to how well this rather untidy and complex process works. Increasingly, we are seeing the private sector playing a critical role in this process.

During my career I have seen my fair share of "stranded infrastructure assets". I've seen the 60 MVA substation with 10 MVA of load and the 66kV subtransmission line to a mine that never went ahead. Although rare, these projects do get up through the filtering process. These projects were part of the infrastructure spend but not part of the return.

When I hear politicians and journalists advocating more spending on infrastructure, the need to focus our spending on those areas that provide the greatest return to the nation can be easily lost. A fast car only helps you get to where you want to go if you point it in the right direction. I can't stress enough that the direction of infrastructure spending is just as important and the quantum.

Dr Robert Barr, EESA National President

### National Conference

**Electricity 2008 - Stepping up to the Challenge**

*EESA National Conference & Trade Exhibition  
Thursday 21 to Friday 22 August  
Hilton Hotel, Brisbane*

The conference program is now available and EESA is delighted to announce the Hon. Andrew Fraser, Treasury for Queensland will open the conference followed by our first keynote speaker, Professor Elizabeth Taylor AO, Pro Vice-Chancellor and Executive Dean Faculty of Sciences, Engineering & Health, Central Queensland University with Professor Paul Hardisty, Global Director of Sustainability and Economics TM, for WorleyParsons, opening day 2 of the conference.

To register all you need to do is visit the conference website at [www.eesa.iamevents.com.au](http://www.eesa.iamevents.com.au) where you can download the registration form as well registering online. Alternatively, please call the conference managers on 073834 3333.

### EESA Constitution

The 2008 Annual General Meeting of the EESA will be held in conjunction with the Annual Conference in Brisbane on 22 August 2008. Enclosed with this bulletin are proposed changes to the Society Constitution, together with a proxy voting form if required. Forms to be faxed to 02 6273 2358 by 1 August.

Also enclosed is a nomination form should members of a State Chapter seek a position on the National Council. These forms are also to be faxed to 02 6273 2358 by 1 August, for the National Council. The same form can be used for NSW members seeking a position on the NSW State Chapter committee

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# The Electric Energy Society of Australia

## News and Issues from around the Industry...

by John Thomson

*Well folks, this is my 27th and last contribution to the EESA Newsletter. The first one was in 2002 - how time flies!! I extend my warm thanks to the committee for offering me this opportunity. Hopefully you the reader have picked up on some issues which might otherwise have slipped under your radar. Certainly, a lot goes on in this industry of ours and it can be hard keeping up sometimes!*

### **Legislation for NSW Electricity Industry Restructuring and New Infrastructure Fund Introduced**

On 4 June 2008 the NSW Premier introduced into Parliament special enabling legislation to support its plan to secure the State's future electricity supplies in the form of the Electricity Industry Restructuring Bill 2008; the Bill provides for changes in ownership and/or leasing of electricity assets and the transfer of the retail business licences to the private sector. The Bill also establishes the Community Infrastructure Fund to hold the proceeds of the proposed transactions. Distribution and transmission will remain in public ownership, and a public share offering has been proposed, subject to market conditions and the NSW Auditor General overseeing the process.

The Bill includes prohibitions which will continue to apply even after the completion of all transactions to the effect that, if the Government were to decide to sell any of these network assets in the future, parliamentary approval will be required.

Notwithstanding provisions included in the legislation to protect jobs, the sell-off is far from resolved in the eyes of the Union movement and more angry debate can be anticipated in the months ahead.

### **First Test of new Merits Review**

On Friday 30 May the Australian Competition Tribunal held a Directions Hearing in Melbourne in relation to an appeal against the AER's recent Final Determination on ElectraNet SA's revenue reset application for 2008-2013. The primary area of disputation is the AER's disallowance of in excess of \$50 million in transaction costs associated with ElectraNet's easements.

This is the first test of the new "merits review" under the revised National Electricity Law appeals process and the precedents set can be expected to be closely monitored by network businesses, especially TransGrid and EnergyAustralia which have both just submitted their respective revenue reset applications for the period 2009-2014.

### **Smart Meters - MCE Ministers Set to Make Key Decision**

On Friday 13 June the Ministerial Council on Energy (MCE) will make one of the most important decisions when it sets the future direction for a multi-billion national rollout of smart meters.

As reported in ENA Update, recent weeks have seen many discussions between ENA and Energy Ministers and their staff concerning smart meters and their role in meeting national energy and environmental policy goals. According to ENA Update the advantages of a distributor-led rollout have been emphasised as:

- Lower overall installation costs;
- Lower ongoing operation costs;
- Cost competitiveness;
- Strong cross-industry management skills; and
- Experience and proven capability in mass market metering.

ENA's members are hoping that Ministers will agree to provide distributor exclusivity in both the rollout and the ongoing servicing of smart meters.

A National Stakeholder Steering Committee and associated technical and regulatory working groups have been established to consider and make recommendations on issues such as achieving clear and consistent governance, a legislative and regulatory framework which will provide certainty for investors and the effective implementation of the best smart meter technology.

### **Strategy Workshop for Network Businesses on Upcoming Regulated Returns Review by AER**

A joint workshop was conducted in Melbourne in late May by the Energy Networks Association (ENA), Grid Australia (GA), and the Australian Pipeline Industry Association (APIA) to consider strategies for input into the review of electricity distribution and transmission regulated return - or Weighted Average Cost of Capital (WACC) - parameters by the Australian Energy Regulator (AER).

# The Electric Energy Society of Australia

Adding to the challenges to be addressed will be the fact that the AER review will be conducted during the second half of 2008 and early 2009 against a backdrop of expected material price increases in NSW distribution charges. Any strategies can therefore be expected to address, among other things, perceptions that regulated businesses have been financially successful because parameters have been set too high.

## Queensland Gas Considering Entry into NSW Generation Scene

According to a number of media reports, Queensland Gas Co is considering a feasibility study of constructing a new gas-fired power station with a capacity of up to 600MW in the Hunter Valley. The Brisbane company has teamed up with ANZ Infrastructure Services and Toyota Tsusho Corp, with reports on the estimated cost of building the plant ranging from \$400m to \$750m. The project may also involve an 820km underground gas pipeline, worth \$850m, connecting to the firm's coal-seam gas fields in southeast Queensland.

## AEMC Releases Stage 2 Issues Paper in their Review of Demand Side Participation in the NEM

As part of Stage 2 of its Review of Demand Side Participation (DSP) in the NEM, the Australian Energy Market Commission (AEMC) recently released an Issues Paper with a clearer focus on the distribution, retailer and end-user sectors. Submissions close on 20 June 2008.

The AEMC is seeking to identify:

- areas in the NER that may limit or be barriers to the efficient integration of DSP;
- whether issues are appropriate;
- materiality; and
- the potential for addressing impediments or disincentives.

The substantial increase in the capital works programmes of most network businesses has heightened the focus on DSP as a check on the true cost-benefit of network investment decisions. Key matters of interest to the AEMC include the economic regulation of networks (service incentive targets, and allowances for research and development); distribution network planning (viz. whether DSP options are considered equally by DNSPs); network access and connection arrangements (e.g. consistency across jurisdictions of connection standards for embedded generation); whether more flexibility can be provided in dispatch arrangements in the wholesale market to facilitate DSP); and the impact of DSP on reliability.

## US Releases Annual Wind Report

As reported in esaa News, the 2007 edition of the US Department of Energy's Annual Report on US Wind Power Installation, Cost and Performance Trends, finds that wind power capacity increased by 46% in 2007. With \$US9 billion invested in wind plants in 2007 alone, the USA is claimed to be the fastest-growing wind power market in the world for the third straight year. The report also shows that wind is on a path to becoming a significant contributor to the US power mix, with wind projects accounting for 35% of all new US electricity generation capacity in 2007. The world oil price crisis can only be expected to reinforce such trends in expenditure on a range of renewable projects.

**Editors note:** EESA wishes to thank John Thomson for his long-standing role in providing informative and topical news which kept our members informed and entertained. We wish him well in his new position as a senior manager in Energy Australia and hope to see him again at our conferences and seminars. Vale John

## EESA NSW State Conference

**Energy NSW 2008.....  
The [R]Evolution in Networks**

**NSW Chapter Annual Conference  
& Trade Exhibition  
29 to 31 October, Powerhouse Museum, Sydney**

The NSW Chapter of the Electric Energy Society of Australia is moving their annual conference to the Powerhouse Museum in Sydney. We hope delegates will enjoy this central Sydney location.... providing the opportunity to update their knowledge at the conference whilst enjoying the exhibits in the museum and the social events in the local area.

Conference topics will include....

- Power quality
- Smart metering developments
- Large ambitious network projects
- Developments in Overhead lines and cables
- Implementing embedded generation into distribution networks
- Asset management/switchgear and instrument transformers
- Safety and the environment - new challenges and new solutions

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# The Electric Energy Society of Australia

## Power and electrical energy engineer honoured for outstanding career



Professor Vic Gosbell is the recipient of the 2007 MA Sargent Medal which was presented on 6 June in Melbourne. The medal is the most prestigious award conferred by the College of Electrical Engineers and the College of Information, Telecommunications and Electronics Engineers.

The award is named after Dr Michael Sargent, an electrical engineer and president of Engineers Australia in 1990. It recognises a significant technical contribution through technical innovation, longstanding eminence in science or exceptional leadership in the field. Professor Gosbell is one of a handful of engineers in the world who have managed to achieve international recognition for both theoretical and applied contributions. His report on the shortage of power engineering graduates has received widespread publicity and encouraged the development of the Australian Power Institute.

## Engineers Australia - Graduate Engineer of the Year 2008

This award is to recognise excellence in the field of Electrical Power Engineering within six years of graduation.

The Award has been initiated to address the shortage of power engineers in the Australian and world markets. NHP has recognised this trend and via the award is contributing to redressing this issue. The Award is made to an individual in recognition of their achievements during the years immediately after graduation and is not a lifetime achievement award. In this way, the Award is open to younger practitioners whose nominations take place within six years of their graduation month/year. The prize includes: a certificate and an engraved bronze medal provided by the Electrical College; one year free registration to Engineers Australia and EESA plus free registration to the EESA National Conference; an overseas trip to an appropriate electrical energy fair or conference compliments of NHP with all expenses paid.

Full details and selection criteria can be found on the EESA website [www.eesa.asn.au](http://www.eesa.asn.au)

## 2007 Consumer Responsibility Index

Australian companies are rising to the challenge of measuring their impact on society and the environment, wrote Leon Gettler recently in The Age.

Gas and electricity supply company **EnergyAustralia** has topped Australia's Corporate Responsibility Index, published in May in the Sydney Morning Herald and The Age, but the list of companies pushing into the top rankings is growing. And while the average scores have slipped, the CRI judges have set the bar higher, which means the top scorers have done very well indeed.

The index is growing, too: 40 companies, including global corporations, are participating and the latest list covers a broader cross-section of Australian industry. Still, while the index shows more companies are taking to corporate responsibility, the data suggests they are finding it easier to tackle social and community issues than dealing with more problematic environmental matters.

Among the Australian entrants, **EnergyAustralia** came in first with a score of 95.51 per cent. National law firm Minter Ellison was runner-up at 93.09 per cent and Foster's Group scored well at 90.32.

Behind them was a swag of companies with solid scores: IBM Australia (89.87 per cent), Diageo Australia (87.3 per cent), Telstra (87.04 per cent), MECU (85.78 per cent), Kimberly-Clark (85.62 per cent) and **Country Energy** (84.37 per cent).

ANZ was awarded for best leadership, Mecu for best entrant and **Country Energy** got the gong for best progress.

### Have you looked at the new EESA website yet?

To check it out click on the link below:

[www.eesa.asn.au](http://www.eesa.asn.au)

We hope this will keep members up-to-date with news and current events relating to the industry.

### Bulletin 4, August - September 2008

Please email submissions by 15 August 2008 to the Bulletin Editor, Patrick McMullan on [pmmcullan@energy.com.au](mailto:pmmcullan@energy.com.au)