RITS AND REZS
What is the Regulatory Investment Test for Transmission?

• cost-benefit analysis …
• to determine the most appropriate solution (including non-network solutions) …
• for addressing a need on the transmission network …
• and whether addressing the need provides a net positive benefit to consumers

RIT-T is part of the broader network investment regulatory framework
Potential concerns with the RIT-T

Strategic investments and system wide benefits

Credible options

Bias against non-network options

Benefits outside the NEM not included

Length of process

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Delivering the Heywood Interconnector

<table>
<thead>
<tr>
<th>Task</th>
<th>Dates</th>
<th>Task Duration</th>
<th>Cumulative Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completion of the RIT-T process</td>
<td>Oct 11 - Jan 13</td>
<td>16 months</td>
<td>16 months</td>
</tr>
<tr>
<td>Determination by the AER that the proposed investment satisfies the RIT-T</td>
<td>Apr 13 - Sep 13</td>
<td>6 months</td>
<td>24 months</td>
</tr>
<tr>
<td>Revenue allowance adjustment by the AER</td>
<td>Dec 13 - Mar 14</td>
<td>4 months</td>
<td>30 months</td>
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<tr>
<td>Construction and energisation works</td>
<td>Aug 15 - Jul 16</td>
<td>12 months</td>
<td>58 months</td>
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</tbody>
</table>
What is a Renewable Energy Zone?

“Planning frameworks need to be capable of facilitating the efficient development and connection of new renewable energy zones, some of which may be remote from the current transmission network”

Finkel Review, p. 123

“Areas in the NEM where clusters of large-scale renewable energy can be developed to promote economies of scale in high-resource areas and capture geographic and technological diversity in renewable resources”

AEMO, ISP consultation paper, p. 29.
## Options for Renewable Energy Zones

<table>
<thead>
<tr>
<th>Feature</th>
<th>Option 1: Information provision</th>
<th>Option 2: Generator Coordination</th>
<th>Option 3: TNSP speculation</th>
<th>Option 4: TNSP prescribed service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Enhanced AEMO and TNSP coordinated planning to signal REZs for development by the market</td>
<td>• Generators connecting in the same area coordinate connections</td>
<td>• TNSPs undertake speculative investment to build the REZ</td>
<td>• TNSPs invest to deliver a prescribed service in anticipation of generators connecting</td>
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| Who pays? | Same as now | Generators | TNSPs | Consumers |
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