

THE ROLE OF THE INTEGRATED SYSTEM PLAN



The AEMC review : Coordination of generation and transmission investment review



- The COAG Energy Council asked the AEMC to report every 2 years on a set of drivers that could impact on future transmission and generation investment
- On 21 September, the AEMC published an options paper as part of this review
- The options paper is part of the AEMC's contribution to the ESB's reporting to the COAG Energy Council on how the ISP could be converted into an actionable strategic plan

THE ROLE OF THE ISP

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The role of the ISP

Who

- Who should be doing the planning?
- Who should be making decisions on what investment to make?
- Who decides what investments are in the long term interests of consumers?

What

- What assumptions should be taken into account for the planning necessary for the ISP?
- What government policies should be taken into account when completing this planning?
- What should the ISP focus on? Just strategic investments? What is the threshold for strategic investment?

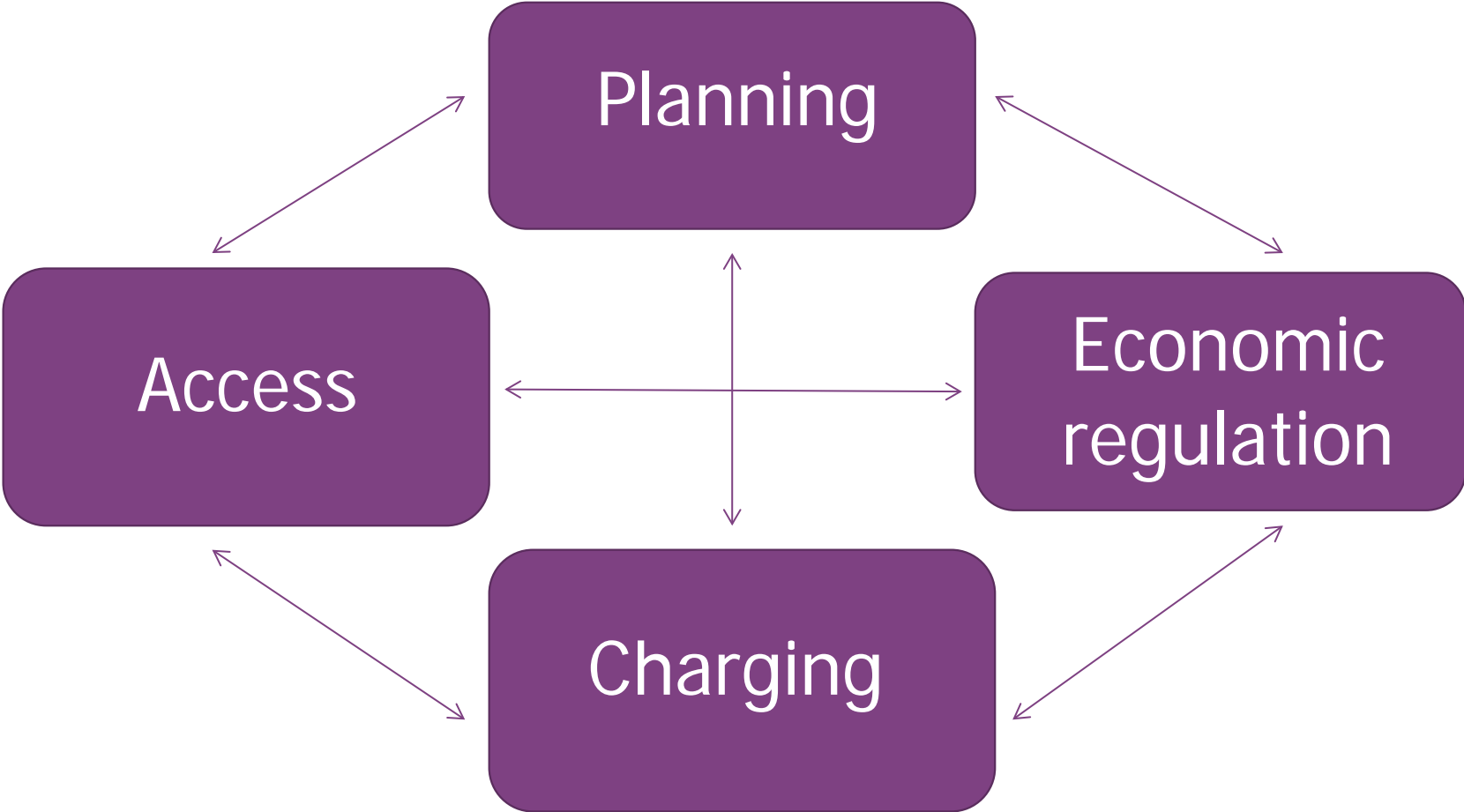
When

- When will the planning be done? Annually? Every second year? Every 5 years?
- When will the planning be updated? How frequently should an ISP be done?

How

- How will an actionable ISP fit in with the existing regulatory framework?
- How will non network options be taken into account? How will local and regional requirements be taken into account?

Current transmission framework



The ISP and investment decisions

The Commission has articulated five options to address the role of the ISP. Each option strengthens the links between the ISP and the planning and decision making process for individual investments in transmission assets.

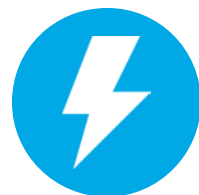
Each of the options are described in terms of the stages needed in the investment planning and decision making process, which are not unique to transmission investments.



- Each of these stages are needed so that investments (and alternatives to them) are appropriately **identified, tested, costed, consulted on and assessed against the network need.**



- All of the options require **robust stakeholder consultation.** The **allocation of risk** under each option needs to be considered, and mitigated or managed where relevant.



- Each of the options has **implications** for other aspects of the transmission framework; the **regulatory changes** required; and for the **long-term interests of consumers.**

Role of the ISP – five options

Table 4.2: Options to strengthen the link between the ISP transmission investment decisions

STAGE IN INVESTMENT PROCESS		RESPONSIBILITY UNDER EACH OPTION				
		1. TNSPs must consider ISP-identified needs in their TAPRs	2. TNSPs must conduct RIT-T on ISP-identified needs and options	3: AEMO determines "best" option	4: AEMO directs TNSP to proceed with the "best" option	5: AEMO directs TNSP to implement the investment
1	Identify need	AEMO	AEMO	AEMO	AEMO	AEMO
2	Identify credible options that address the need	TNSP	AEMO	AEMO	AEMO	AEMO
3	Assess costs and benefits of credible options	TNSP	TNSP	AEMO	AEMO	AEMO
4	Determine "best" option	TNSP	TNSP	AEMO	AEMO	AEMO
5	Make decision to implement "best" option	TNSP	TNSP	TNSP	AEMO directs TNSP to do so	AEMO
6	Undertake detailed costing and planning for the investment	TNSP	TNSP	TNSP	TNSP	AEMO
7	Implement the investment	TNSP	TNSP	TNSP	TNSP	AEMO directs TNSP to do so
TNSP control over investment		Higher degree of control				Lower degree of control