



Last resort planning power - 2018 review

Request for supplementary information from AEMO and TransGrid

The Australian Energy Market Commission (AEMC) is undertaking analysis to determine whether there is a need to exercise the last resort planning power (LRPP). This power enables the AEMC to direct a network business to undertake a regulatory investment test - weighing up the costs and benefits - on projects to address network congestion, if they are not already underway.

The AEMC's analysis to date has involved examining:

- AEMO's Integrated System Plan (ISP) to determine the inter-regional constraints in the transmission network that need to be addressed; and
- transmission annual planning reports to determine if solutions are being proposed to resolve those constraints.

However, to complete our analysis and determine whether there is a need to exercise the LRPP, the AEMC needs additional detail from AEMO and TransGrid about transmission constraints on the Queensland-NSW interconnector, and proposed projects to address them.

Background

The LRPP is a power conferred on the AEMC under the National Electricity Rules (Rules) to ensure that sufficient investment is occurring to transport electricity across the national electricity market, which is fundamental to the NEM's efficient operation.

The purpose of the LRPP is to ensure timely and efficient inter-regional transmission investment in the national electricity market for the long-term interests of consumers. It can be exercised when other investment planning mechanisms are not addressing identified inter-regional constraints.

The AEMC must annually assess whether it should exercise the LRPP. Under the Rules, this assessment must consider AEMO's two most recent National Transmission Network Development Plans (NTNDPs) and transmission network service providers' (TNSPs) annual planning reports to ascertain whether TNSPs are taking appropriate steps to address the expected inter-regional constraints identified by AEMO.

If the AEMC identifies that current processes or projects are not underway to address a constraint that may significantly impact on the efficient operation of the market, then the AEMC has the power to direct one or more network service providers (typically a TNSP) to apply the regulatory investment test for transmission (RIT-T) to projects that are likely to relieve that constraint. This could include upgrading transmission lines to increase their capacity or installing a new transformer so more power can flow through existing lines.

Recent developments

In late 2017 AEMO modified arrangements for the publication of the 2017 NTNDP so that instead of publishing an NTNDP by 31 December 2017 AEMO published an ISP in July 2018. The ISP's purpose and scope are intended to encompass the issues which would normally be in the NTNDP, while also responding to a 'Finkel review' recommendation for an Integrated Grid Plan.

The AEMC is taking the ISP to be the most recent NTNDP for the purposes of the LRPP. However, the ISP is a high-level system plan and contains less detailed information on expected inter-regional transmission network constraints than previous NTNDPs.

Also, as the TNSPs published their annual planning reports before the ISP was published it is not clear to the AEMC the extent to which TNSPs, prior to publishing, received from AEMO detailed information on expected inter-regional constraints and responded to those constraints in their annual planning reports.

The AEMC's current approach and next steps for LRPP 2018

As required by the Rules, the AEMC has used the 2016 NTNDP, the 2018 ISP and the 2018 transmission annual planning reports to assess transmission inter-regional constraints in the NEM and the projects that could address these constraints. This information shows that in most cases TNSPs have adequately addressed the inter-regional constraints identified by AEMO.

However, there is currently insufficient information publicly available for the AEMC to ascertain whether TNSPs are taking appropriate steps to address the expected inter-regional constraints identified by AEMO in relation to the Queensland – New South Wales interconnector. In particular, while the relevant TNSPs have stated that they are considering projects to address these constraints, there is limited information on the status of those projects and the specific constraint(s) each project will address, and no publicly available information on when the TNSPs will start consultation on those projects as part of the regulatory investment test (RIT-T) process.

As a result, the AEMC has requested information on the following matters:

- confirmation from AEMO, in its role as national transmission planner, of the inter-regional transmission constraints which it believes need to be addressed by the relevant TNSPs
- details from TransGrid of how it intends to address the inter-regional constraints on the Queensland - NSW interconnector, as well as the timing for the processes to address those constraints.

The Commission notes the recent *NSW Transmission Infrastructure Strategy* signals that the NSW Government will accelerate the development of transmission projects facilitating Queensland - NSW transfers and provides indicative completion dates. However, the AEMC requires more detailed information about the projects and their timing to complete the analysis required for the LRPP.

Once received, the AEMC will use this additional information as part of its assessment of whether to exercise the LRPP. The AEMC will publish its decision in early 2019.

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The AEMC will proceed to the next stage of analysis by formally requesting information on expected inter-regional constraints and the steps that are being taken to address relevant constraints.