



Last resort planning power - 2018 review

Publication of decision report

The Australian Energy Market Commission (AEMC or Commission) has published a report outlining its decision not to exercise the last resort planning power (LRPP) for 2018. The LRPP enables the AEMC to direct a network business to undertake a regulatory investment test - weighing up the costs and benefits of investment - on projects to address network congestion, if they are not already underway. Analysis undertaken by the AEMC shows that transmission network service providers (TNSPs) in the national electricity market (NEM) are adequately considering inter-regional transmission constraints in their planning of investment in the transmission network.

Overview

The NEM is one of the longest interconnected power systems in the world, comprising almost 40,000km of transmission lines across six Australian states and territories. The ability to transfer electricity between Queensland, New South Wales, the Australian Capital Territory, Victoria, Tasmania and South Australia is fundamental to the operation of the NEM as a single wholesale electricity market.

The LRPP is a power conferred on the AEMC under the National Electricity Rules (NER) to ensure that sufficient investment is occurring to transport electricity across the NEM.

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

If the AEMC identifies that current processes or projects are not underway to address an inter-regional 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.

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

Decision

The AEMC has decided not to exercise the LRPP for 2018. This is because the AEMC's analysis has found that inter-regional flow constraints were being appropriately considered by TNSPs in their 2018 transmission annual planning reports and RIT-T related documents.

The AEMC compared projects identified in the TNSPs' 2018 transmission annual planning reports with the constraints on the transmission network forecast by AEMO in the 2018 Integrated System Plan (ISP) and in the 2016 NTNDP.

The AEMC also considered other relevant information published by AEMO and the TNSPs, as well as the additional information AEMO and TransGrid provided to the AEMC on

request in November 2018.

The AEMC has concluded that the TNSPs are adequately considering the inter-regional constraints that have been identified by AEMO in its role as the national transmission network planner. Regulatory processes are already underway for all 2018 ISP Group 1 projects and some 2018 ISP Group 2 projects, including in relation to the Queensland - NSW interconnector (QNI), Victoria - NSW interconnector (VNI) and the new South Australia - NSW interconnector (Project EnergyConnect, formerly known as Riverlink).

Recent Developments

AEMO published an ISP in July 2018 in place of the 2017 NTNDP. Consistent with statements in the 2018 ISP that it fulfils the regulatory requirements of an NTNDP, the AEMC is taking the 2018 ISP to be the most recent NTNDP for the purposes of the 2018 LRPP review.

The Energy Security Board (ESB) in its recent advice to the Council of Australian Governments (COAG) Energy Council in December 2018 recommended that the COAG Energy Council request for the AEMC to use the LRPP to direct a company to commence its RIT-T process if a 2018 ISP Group 2 or 3 Project is considered by AEMO and the ESB to be behind schedule. This recommendation endorses the LRPP continuing to be an important part of the transmission planning framework into the future.

The AEMC also published the final Coordination of generation and transmission investment (CoGaTI) review on 21 December 2018. This report has been developed following a request from the COAG Energy Council that the Commission undertake a biennial reporting regime on a set of drivers that could impact on future transmission and generation investment. The final CoGaTI report was an input to the Chair of the ESB's report to the COAG Energy Council, and provides a comprehensive reform package and implementation work plan to better coordinate investment in renewable generation and transmission infrastructure in the NEM.

On 21 December 2018, AEMO published a 2018 NTNDP. Many of the inter-regional constraints discussed in the 2018 NTNDP are considered in this 2018 LRPP review as they were identified in either the 2016 NTNDP and/or the 2018 ISP. Consistent with previous practice, the Commission will consider whether TNSPs are addressing all the inter-regional constraints that AEMO identifies in the 2018 NTNDP in the Commission's 2019 LRPP review following TNSPs' publication of their 2019 annual planning reports.

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