



# Transmission Planning and Investment Review

**The Australian Energy Market Commission (AEMC) has commenced its Review of the regulatory frameworks for transmission planning and investment and invites stakeholders to make a submission to the consultation paper.**

## Background

The National Electricity Market (NEM) is experiencing a significant transition away from reliance on thermal generation towards demand being principally met by geographically dispersed renewable generation. Substantial investment in transmission infrastructure is required to underpin the transition to clean energy and bring power from new renewable generation and storage to consumers. It is important that the regulatory framework can accommodate discrete investments of the size and scale required for the energy transition, and that it is sufficiently robust to effectively manage the uncertainty stemming from the pace of Australia's energy transition.

## Purpose and approach of the Review

The Commission has self-initiated this Review to:

- identify issues with the existing regulatory frameworks in relation to the timely and efficient delivery of major transmission projects
- explore options for reform or improvements to the existing regulatory frameworks
- recommend possible changes to the National Electricity Rules (NER) and other regulatory instruments (if required) to support frameworks that are fit-for-purpose and promote the timely and efficient delivery of transmission services.

In completing the Review, the Commission will follow a two-staged process:

**Stage 1:** Identify issues associated with the frameworks for planning, funding and delivering major transmission projects and test these with stakeholders

**Stage 2:** Develop solutions to address the issues identified in Stage 1.

In developing its advice, the Commission will work closely with the other market bodies and consult with a range of stakeholders through various public consultation processes. In particular, the Commission:

- has established a Market Bodies Advisory Group, which will draw on the expertise of the market bodies, and the significant relevant work already undertaken by them, to assist the Commission in meeting the Review's objectives
- has established a Jurisdictional Reference Group, which will be used to inform and consult with state and federal government representatives on the Commission's progress in the Review
- will draw on the Commission's existing Investor Forum to develop a thorough understanding of investor decision-making processes
- will engage with broader market participants and consumer groups, including but not limited to Energy Consumers Australia (ECA), through consultative forums.

## Issues for consultation

The consultation paper identifies the following issues for consideration across the planning and investment frameworks for major transmission projects:

Transmission planning issues	Transmission investment and delivery issues
<ul style="list-style-type: none"><li>• The intrinsic uncertainty of major discrete projects challenges the existing ex-ante incentive-based framework.</li><li>• Opportunities to streamline the economic assessment of major transmission projects.</li><li>• Treatment of benefits in transmission planning:<ul style="list-style-type: none"><li>○ Are the benefits included in the current planning process sufficiently broad to capture the drivers of major transmission investment?</li><li>○ Is guidance on hard to monetise benefits warranted due to a disconnect between what is required under the Rules and feasible in practice?</li></ul></li><li>• Unequal treatment of non-network options under the RIT-T.</li></ul>	<ul style="list-style-type: none"><li>• Risk that a TNSP's exclusive right to build and own transmission projects but no corresponding obligation to invest may lead to major projects not proceeding.</li><li>• Potential impacts of different factors during the project planning and delivery stages:<ul style="list-style-type: none"><li>○ Treatment of preparatory activities and cost recovery arrangements for early works.</li><li>○ Jurisdictional environmental and planning processes.</li></ul></li></ul>

The consultation paper identifies and prioritises key issues with the existing regulatory frameworks to facilitate stakeholder consultation during this first stage of the Review. Although the Commission has identified these initial issues relating to the existing frameworks, the Review is not limited to these issues and therefore welcomes feedback from stakeholders on other issues that may impact the timely and efficient delivery of major transmission projects.

The consultation paper also outlines issues for consultation with regard to the *Material change in network infrastructure project costs* rule change which will run concurrently with the Review. More information on the rule change can be found on the project page at: <https://www.aemc.gov.au/rule-changes/material-change-network-infrastructure-project-costs>.

## Next steps

Submissions to the consultation paper are due on **30 September 2021**.

Stakeholders are encouraged to use the stakeholder submissions template when providing feedback to the consultation paper.

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