



TPIR - Stage 3 final recommendations

The Australian Energy Market Commission (AEMC) has published its final report for Stage 3 of the Transmission planning and investment review (TPIR). This Stage 3 report is the final report and concludes this Review.

Transmission is a critical enabler for the transition to net zero, both in the national electricity market (NEM) and for the economy more broadly. This transition will require an unprecedented level of investment in, and build of, transmission infrastructure to deliver power from renewable generation and energy storage to consumers, and to deliver it quickly. The focus of the Transmission planning and investment review is to recommend improvements to the regulatory frameworks for transmission investment and planning to support efficient investment in and timely delivery of major transmission projects.

Our recommendations seek to facilitate timely and efficient investment in and delivery of ISP projects

We recommend changes to improve the regulatory process for projects identified in the Australian Energy Market Operator's (AEMO's) Integrated System Plan (ISP) in three key areas: the economic assessment process, the treatment of emissions reduction in transmission planning, and the application of the ex-ante regulatory framework for transmission investment to ISP expenditure.

Extensive and constructive stakeholder engagement helped shape the recommendations by informing our understanding of issues and identifying areas for improvement. These recommendations promote better outcomes for consumers and improve economic efficiency by reducing risk and uncertainty and improving clarity and consistency within the regulatory framework. Our recommendations collectively seek to enable transmission infrastructure to be built quicker, thereby facilitating earlier connection of renewable energy to the grid and supporting the transition to net zero.

Improving the economic assessment process through more and earlier planning

The Commission recommends rule changes to encourage transmission network service providers (TNSPs) to undertake more planning activities earlier in the economic assessment process. This could reduce delays later on by securing social licence and earlier identification of potential project barriers. The recommendations:

- provide greater cost recovery certainty to TNSPs for early works by enabling them to submit a separate contingent project application (CPA) for early works to the AER without the need to first complete a regulatory investment test for transmission (RIT-T) and pass the feedback loop
- introduce a National Electricity Rules (NER) definition of early works to underpin the AER's assessment of an early works CPA to protect consumers against inefficient expenditure
- clarify that AEMO can specify, in the ISP, examples of preparatory activities and early works for actionable ISP projects.

The Commission also considers that there may be further opportunities to reinforce the ISP as the central process for considering the net benefits of the group of projects that form the optimal development path and the RIT-T to focus on improving the robustness of efficient cost estimates of an individual project identified in the ISP. We will explore this further in the AEMC's upcoming ISP review.

Harmonising the NER with the inclusion of emissions reduction in the national energy objectives

The national energy objectives will soon include emissions reduction targets. The Commission recommends a rule change process to harmonise the NER, including rules relating to transmission planning. This would ensure the NER remains consistent with the intent of the national energy objectives once an emissions objective is introduced.

Introducing a targeted ex-post review for ISP projects to reduce risk and uncertainty

The Commission recommends a rule change process to introduce a targeted ex post review mechanism for capital expenditure (capex) incurred on completed ISP projects. This would address the potential additional risk associated with ISP projects when expenditure is significant and the risk of overspending is greater, and support the AER in effectively reviewing the efficiency of any capex overspend on ISP projects.

We recommend a 'progressive' approach to implementing our recommendations

The Commission considers the recommendations made across Stage 2 and 3 of this Review will significantly improve the transmission planning and investment framework. We have also identified further opportunities to reform the economic assessment process. Once any rule changes have been received and made to implement the recommendations from this Review, we will consider further reform opportunities through the AEMC's upcoming ISP Review.

We will host a public forum to discuss our final recommendations.

We will hold a virtual public forum on 16 May 2023. The forum will summarise the key findings and final recommendations of the Stage 3 final report and provide stakeholders with an opportunity to ask questions.

To register for this forum please visit the [registration page](#).

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