

ELECTRICITY TRANSMISSION NETWORK owners

National Transmission Planning Arrangements

Response to AEMC Scoping Paper

September 7, 2007



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1. Introduction

The Australian Energy Market Commission (AEMC) published its Scoping Paper, "National Transmission Planning Arrangements" in August 2007, inviting comment by 7th September 2007. The paper relates to planned development of an enhanced national transmission network planning function.

This submission provides the Electricity Transmission Network Owners Forum's (ETNOF's) comments relating to the scope of, and approach to, the review to develop the National Transmission Planning Arrangements (NTP Scope). ETNOF appreciates the opportunity to contribute.

In summary, this submission recognises that:

- whilst the overarching objective of national transmission planning revolves around the pursuit of wider market benefits, TNSPs have an ongoing need to assess network upgrades and make investment decisions to meet their accountabilities for delivery of transmission services;
- the review is necessarily bounded by the Council of Australian Governments (COAG's) decision and, specifically, by the characteristics which COAG has listed therein (and reflected in the brief from the Ministerial Council on Energy, MCE) as well as the National Electricity Market Objective;
- accountability for delivery of transmission services remains with the TNSPs, as envisaged by the COAG's Communiqué of April 2007. This submission provides an overview of those accountabilities to assist the AEMC in scoping this review;
- COAG's brief rightly requires that national transmission planning activities should not replace the TNSPs' planning activities which are necessary to meet their obligations, nor bind TNSPs (or the AER) to certain investment decisions, nor cause delays to current project delivery timelines; and
- any changes to the planning and consultation processes in the Rules must align with the national transmission planner changes - there will be no point in the national transmission planner flagging emerging congestion and the likely need for augmentations, if the investment test does not examine investments on the same basis.

Changes to the network planning and consultation process require careful consideration as they offer significant potential to undermine the efficient operation of existing processes for reliability investment and, to potentially delay necessary investments.

The remainder of this submission provides detailed responses to the consultation issues raised by the AEMC. Section 1 provides detailed responses on the enhanced National Transmission Plan, Section 2 on the alignment of revenue resets, Section 3 on the revised network planning and consultation process and Section 4, some concluding remarks.

2. Enhanced National Transmission Plan

COAG's objectives in relation to a national transmission framework, as stated in its April 2007 publication include:

- developing arrangements to ensure a more **strategic** (emphasis added) and nationally coordinated approach to transmission network development;
- that the framework will be consistent with the congestion management arrangements under development and that efficient behaviour will be rewarded through the service incentive scheme;
- that the framework provides better guidance to private and public investors to help optimise investment between transmission and generation across the power system; and
- that a National Transmission Planning entity should produce a ten year transmission plan to inform TNSPs in making investment decisions, the AER in making revenue determinations and other stakeholders.

ETNOF considers these objectives realistic, mindful of the bounds set by COAG, most notably that:

- TNSPs will remain accountable for investment decisions (including the assessment of alternatives under the Regulatory Test) and the delivery of transmission service obligations;
- the arrangements are not intended to replace local or regional planning processes, but to provide additional (national perspective) information into such processes to more closely align 'national' network needs and regional/local investment;
- an annual ten year National Transmission Network Development Plan (NTNDP) be produced following wide consultation, which will outline the broad development of the power system, including the current and planned future capability of the national transmission network and development options. In particular, COAG uses the term "strategic" to describe the level at which the NTNDP should be pitched;
- transmission investment and development timelines should not be lengthened beyond the timelines currently being achieved; and
- the ability to make urgent and unforeseen transmission investments must not be reduced or adversely impacted.

A "fit for purpose" national transmission planner arrangement should therefore extend and enhance the co-ordination of existing national transmission planning activities, with no unnecessary duplication or overlap of roles between the national transmission planner and TNSPs.

COAG's decision that legal accountability for network performance (including reliability and transfer capability outcomes) and investment decisions (including assessments of alternatives) remain with TNSPs, has significant implications for the AEMC's review. This legal obligation means that each TNSP must satisfy itself as to the optimal scope and timing of network developments in its service territory – TNSPs cannot rely on the work of a national transmission planner which, by necessity, operates without legal liability for network outcomes. This means that:

- (a) the regional planner must continue to undertake the same level of planning and evaluation that it performs now; and

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- (b) unless the national transmission planner is focussed on high level, value-add matters, there is a real risk that the national transmission planner will engage in inefficient duplication. The onus on avoiding duplication lies with the AEMC's definition of the scope of work for the national transmission planner.

In this context, it is notable that COAG used the word “**strategic**” to describe the NTNDP in its response to the Energy Reform Implementation Group (ERIG). ETNOF believes that this perspective will provide useful guidance to the AEMC.

The Scoping Paper notes that the AEMC's advice is required to be consistent with COAG's response to ERIG's report, but not necessarily with all the findings of that report.

In addition, ETNOF notes that satisfying the NEM Objective will require that any new arrangements promote efficient investment in and should maintain an appropriate level of reliability, safety and security of supply.

1. *The Commission is seeking general comments on the issues identified by COAG, the approach to assessing the enhanced arrangements for network planning against the NEM Objective, and the basis for identifying and selecting between the options for the implementation of those enhanced arrangements. Scoping Paper, p9*

Response:

The issues identified by COAG are clearly central to the focus of this review. Similarly the bounds set by COAG (listed as a series of bullet points in the COAG decision) need to be accommodated.

COAG notes that there is a need for a more strategic and nationally co-ordinated approach to transmission development. At face value, the proposed National Transmission Plan (NTP), involving a 10 year planning horizon with updates each year, has the potential to materially contribute to both these objectives.

The major benefits being sought by COAG appear to revolve around the NTNDP providing a high-level strategic national overview, which can inform TNSPs in their regional investment decisions. More specifically, the NTNDP should identify, accumulate and disseminate information on “national market benefits” which might not otherwise be generally visible, so that these can also be taken into account in the assessments of options and subsequent investment decisions. This is as opposed to merely duplicating work which TNSPs must necessarily undertake in order to meet their legal obligations.

Furthermore, ETNOF observes that, since its inception, the AEMC has consistently applied a disciplined approach in all of its work, starting with three key questions:

- What is the problem?
- Is it material?
- If it is material, which option best meets the NEM Objective to alleviate or remove the problem?

In particular, the AEMC has ensured that any proposed changes are proportionate to the magnitude of the problem in question and/or the realistic upside gain.

At the same time, the AEMC has found that a Rule change best achieves the NEM Objective when the Rule promotes stability and predictability in the regulatory framework. ETNOF believes that the AEMC should apply these test criteria to the proposed national transmission planner arrangements in order to:

- minimise operational intervention in the market;
- promote changes that are likely to be robust over the longer term; and

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- promote transparency in the operation of the NEM.

Application of the AEMC's evaluation approach to the NEM Objective will help to ensure that the national transmission planner arrangements are appropriately defined, are consistent with COAG's key principles and address any material problems with the current approach to national transmission planning.

ETNOF considers that the characteristics/features listed as bullet points in COAG's decision, and previous criteria applied by the AEMC in testing Rule changes against the NEM Objective, provide a suitable basis for evaluating options to enhance national transmission planning. Therefore it follows that only options which meet COAG's "checklist" should be evaluated.

<p>2. <i>The Commission is seeking views on what are the appropriate governance, consultation, and communication arrangements for the new National Transmission Planner. Scoping Paper, p9</i></p>
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Response:

Corporate governance arrangements for the Australian Energy Market Operator, and in effect the national transmission planner, will be determined by the MCE through a separate working group established to address these matters.

The national transmission planner scope should be concerned with the governance, consultation and communication arrangements between the national transmission planner, TNSPs, market participants and consumers on national transmission planning matters. Most importantly, the governance arrangements between the national transmission planner and TNSPs must clearly specify each entity's responsibilities and scope of work.

Overall, ETNOF considers that the Inter Regional Planning Committee (IRPC) and joint planning activities between TNSPs have managed coordination between jurisdictional planners quite effectively to date. However, some aspects of that process have been more transparent to some stakeholders than to others. In contrast, the existing Rules processes for network augmentations contain a very high degree of transparency, including consultation with market participants and open reporting.

This broad and open consultation process has many benefits, given that transmission planning decisions are not solely concerned with technical matters, but also with impacts on individual transmission users and future transmission and non-transmission investors. Consistent with the AEMC's standard approach outlined in Issue 1 above, the national transmission planner scope should identify whether there is actually a material problem with existing national transmission co-ordination processes involving the IRPC, which are used to prepare the ANTS. To the extent that the AEMC concludes that those arrangements are reasonably effective, the AEMC's focus should turn to developing more 'open' reporting of the operation and findings of those arrangements.

One option to consider is that the national transmission planner function include a National Transmission Planning Committee (NTPC), perhaps chaired by the national transmission planner, as the primary institution for co-ordination between the national transmission planner and TNSPs. More importantly, the committee could act as the primary vehicle for communication and consultation with stakeholders. The ESIPC Board in South Australia, is a good example of a stakeholder based organisation with oversight of transmission planning.

This approach would also be consistent with the AEMC's decision regarding the last resort planning power. That is, to expand membership of the IRPC to include persons who can

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provide expertise and advice in relation to generation as well as to present the views of market customers and end user consumers of electricity¹.

The national transmission planner scope would also need to consider how stakeholder representation is managed, to ensure that it gives due recognition to stakeholder opinions.

A further benefit of developing the arrangements proposed here, rather than simply significantly increasing the staffing within AEMO, is that it would minimise the duplication of planning effort that needs to be undertaken by TNSPs in any event.

3. *The Commission is interested in views on what is the appropriate scope of the review with respect to planning arrangements within jurisdictions, and their interaction with national planning arrangements. Scoping Paper, p9*

Response:

COAG's decision provides clear directions on the scope of the review with respect to planning arrangements within jurisdictions - planning arrangements within each jurisdiction are a decision for each jurisdiction.

Accordingly, the scope of the review should reflect that planning arrangements within jurisdictions need not change with the implementation of the national transmission planner. For example:

- TNSPs will remain accountable for the delivery of transmission service obligations, including planning and investment to ensure security of supply to major load centres. The review should clearly define what are "national transmission issues" and specifically address those issues in view of these accountabilities;
- the network planning co-ordination role of TNSPs with respect to joint planning with distribution networks should remain as set out in the NER;
- all connection applications from generators or major loads should be managed by TNSPs since they are accountable for providing access to their network under the access regime established in the NER; and
- the review should be scoped such that national transmission planning arrangements provide the high-level strategic perspective, aimed at ensuring national market benefits are identified, accumulated and disseminated, to support the longer term efficient development of the power system, but must not hinder the efficacy and timeliness of TNSP service delivery obligations.

The specific accountabilities of TNSPs arise through the NEL, the NER and jurisdictional statutory arrangements including, but not limited to, meeting reliability obligations. In terms of Part IIIA of the Trade Practices Act, TNSPs are also the providers of access to essential infrastructure, with attendant obligations. TNSP accountabilities include commercial obligations to transmission customers and shareholders. They also include, but go beyond, the need to provide reliable transmission services. The national transmission planner scope must be mindful of COAG's requirement not to dilute these accountabilities, nor adversely impact current network development timeframes.

ETNOF will provide more specific detail on these accountabilities during the AEMC's review. Of particular relevance in this regard are the planning activities TNSPs undertake in discharging these accountabilities, which will be an important consideration as the AEMC seeks to avoid duplication in the national transmission planner and jurisdictional planners.

¹ With the proviso that the person appointed has no role in any determination where he/she has a material financial interest.

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4. *The Commission is interested in whether the principles for identifying the national transmission system have been resolved and correctly applied, or whether there is further work to be done to identify the appropriate area of focus within the transmission network for the National Transmission Planner. Scoping Paper, p10*

Response:

Further work is required to identify the appropriate national transmission network focus for the national transmission planner. Whilst the term “national transmission flow path”² (NTFP) is defined in the Rules, this definition relies to some extent upon NEMMCO’s subjective judgment.

There is a need to re-visit what constitutes “major national flow paths” in the context of:

- COAG’s view that the NTNDP should be “strategic” (from a national perspective); and
- the overarching aim of efficiency and, in particular, the need to avoid duplication.

It would appear that some of the present “major national flowpaths” would not fit the above criteria, and therefore the matter requires further analysis.

ETNOF also notes that some of the concerns regarding national transmission flow path planning may be more “perceived” than real, and even if real, whether they are material. A detailed review of inter-regional congestion may assist the AEMC in its deliberations. For example, the findings of the study performed by McLennan Magasanik Associates (MMA) to determine whether TNSPs are adequately managing intra-regional congestion in the NEM has assisted the AEMC in its Congestion Management Review. MMA’s conclusions included that:

- transmission system reliability indicators show that system reliability has been improving and that regional networks are performing well;
- these reliability indicators, as well as the development of network projects described in Annual Planning Reports, show that intra-regional constraints have been managed appropriately; and
- TNSPs are not only anticipating emerging constraints but responding appropriately such that no material congestion emerges.

Similar consideration of inter-regional congestion would help define the national transmission planner’s focus: to improve transparency, improve coordination and drive increased national transmission investment.

Some commentators have suggested that adequate “national transmission planning” is not occurring because each TNSP’s accountabilities only apply within jurisdictions and that the current focus of planning stops at the border. The suggestion is that there are undetected opportunities for augmentations that not only meet a reliability obligation but which also enhance “national market benefits”. Given that the work of the IRPC has consistently addressed national transmission planning across borders, the issue may be one of the construct of the Regulatory Test, rather than one of cross-border planning.

² “A NTFP is defined in the NER as “that portion of a transmission network or transmission networks used to transport significant amounts of electricity between generation centres and load centres.” NEMMCO has interpreted this as a flow path that joins major generator or load centres and which is expected to experience significant congestion across the next ten years simulation period, and is capable of being modelling.” (AEMC, CMR Directions Paper, page 29).

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Therefore, the scope of the review should include:

- a review of the definition of national transmission flow paths to more closely align these with COAG's position of "strategic from a national perspective", rather than the current definition in the Rules;
- areas where material inefficiencies actually exist in a "national" sense, in terms of information flows and congestion signals (this will also need to be considered in conjunction with any proposed change to the Regulatory Test process³); and
- how to establish arrangements that avoid duplication of effort. While commentators suggest that there may be gains to be made from identifying any undetected opportunities for "national market benefits" via national planning, rapidly diminishing returns will occur if the national transmission planner attempts to duplicate planning activities which TNSPs are required to carry out to meet their accountabilities in any case. Such an outcome is unlikely to satisfy the NEM Objective.

In short, the national transmission planner and the NTNDP need to be at a strategic level and to focus on flow paths which have a real and material national (rather than regional) impact.

5. The Commission is interested in what are the appropriate institutional arrangements for the last resort planning power, and the implications for the functions of the National Transmission Planner. Scoping Paper, p11

Response:

In its related direction to the AEMC, the MCE considered that a Last Resort Planning Power (LRPP) was required "as there are no specific requirements to ensure an inter-regional network investment is committed." The MCE considered that a LRPP was required to ensure that a proponent was directed to apply the Regulatory Test (but not directed to undertake the investment). In fact, the matters canvassed by the MCE at that time are covered by the COAG decision.

The existence of the LRPP addresses a possible failure of planning processes as implemented in the NEM. As such, the LRPP function must remain in place even after the national transmission planner function is implemented as the national transmission planner function does not address the reason why the LRPP exists. In addition, because the national transmission planner will form part of the very planning process which may have failed, the LRPP must remain outside of the national transmission planner.

6. The Commission is interested in views on how best to ensure effective interaction between TNSPs and the National Transmission Planner, while also ensuring that the National Transmission Planner adds value through a stronger focus on the national network. Scoping Paper, p11

Response:

ETNOF fully supports the proposition that the national transmission planner should not duplicate work which, due to legal obligations, must be undertaken by TNSPs anyway. As noted above, this means that the national transmission planner must take a strategic view and focus on flow paths which have a real and material national impact.

Existing arrangements for the IRPC and production of the ANTS allow strong interaction between jurisdictional planners on inter-regional and national effects. Whilst there is no problem, in-principle, in identifying potential augmentations to nationally-strategic flow paths,

³ There will be no point in providing information signals about congestion if the investment test does not allow investments to be justified on that basis.

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the national transmission planner will need to avoid proposing theoretical upgrades which are impractical on technical or environmental grounds. Such an outcome can be avoided by having strong participation by TNSPs in the preparation of the NTNDP.

Wide consultation is clearly a factor in generating outcomes which are acceptable to all stakeholders and is central to managing interactions robustly, with clear governance. For example, the inception of a National Transmission Planning Committee to guide the preparation of the NTNDP (as envisaged in response to Issue 2) may be appropriate.

A key issue in developing the NTNDP is the extent to which the national transmission planner relies upon a single scenario for generation “planting” over the 10 year period, or whether there will be versions of the NTNDP to reflect a range of plausible generation development scenarios (an approach used by some TNSPs in their long term network planning and regulatory revenue proposals).

3. Aligning TNSP Revenue Reviews

The AEMC has been asked to consider “the alignment of regulatory periods to further reinforce the national character of the planning arrangements.” This section provides ETNOF’s detailed submissions on the questions raised by the AEMC, mindful of this overarching scope.

7. *Determining the appropriate approach to alignment will entail consideration of both the costs and benefits of alignment. Respondents’ views are sought on the costs and benefits which should be considered within the review. Scoping Paper, p12*

Response:

The Scoping Paper’s approach of identifying the costs and benefits of alignment is considered to be a reasonable approach. ETNOF will provide more detailed consideration of these issues during the AEMC’s review, based on their practical experience of both transmission planning, national coordination and the increasingly resource intensive nature of revenue determinations.

This matter would also appear to be one where the AEMC’s approach identified earlier is likely to be appropriate. That is, to determine whether there is a real or perceived problem with the current non-alignment and, if so, to ascertain the magnitude of the problem and tangible benefits. Once this has been done, the AEMC can then develop a proportionate solution.

8. *The Commission is seeking views on whether simultaneous revenue resets would assist the AER in forming views on efficient investment requirements from a national perspective. If so, what approaches to the conduct of the review would best realise that benefit. Scoping Paper, p12*

Response:

The definition of “national character” requires careful consideration. ETNOF believes it is necessary to consider how this definition and the AEMC’s term “efficient investment requirements from a national perspective” should be understood in the context of the NEM Objective. This is a new area. For example, these are terms neither used in the NER nor in current AER Guidelines.

Further, it should be noted that the NTNDP is to be updated annually which will provide a national transmission planning context for each TNSP’s revenue reset proposal, regardless of whether the proposals are lodged simultaneously or not. As such ‘non-alignment of TNSP

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revenue resets does not appear to undermine the national character of either the reset process, or transmission planning processes.

9. *The Commission is seeking views on where the greatest synergies may arise, and are these are likely to be material enough to justify modification to the timetable for reviews. The Commission also seeks views on what disadvantages may arise from aligning the timetables. Scoping Paper, p13*

Response:

Network planning is a dynamic process and the alignment of revenue reset reviews is not likely to have much impact in the context of national transmission planning outcomes. Whilst the NTNDP cannot be binding on TNSPs or the AER, it is expected that TNSPs' revenue proposals will still reference the latest NTNDP. As such, any major synergies expected to be achieved as a result of simultaneous revenue reviews are not immediately obvious, particularly in respect of national transmission planning matters.

In fact, the need to consider multiple interactions in a compressed timeframe is likely to diminish consideration of national matters rather than enhance them.

There would also clearly be resource issues from the AER's perspective and it may be difficult to find suitable technical consultants to assist (there may even be conflict issues on this basis).

The scope of the Commission's national transmission planner review must include major transitional issues related to any change of this type, including the processes for achieving alignment of revenue cap reviews, should this be shown to be worthwhile.

4. Revised Network Planning and Consultation Process

This section provides ETNOF's submission on the scope of the proposed review of the Network Planning and Consultation Process. This element of the review requires particular care as it has the most potential to interfere with the accountabilities of TNSPs in each jurisdiction, and the timeliness of network developments - both of which would be contrary to the express directions from COAG.

In considering any change to the existing network planning and consultation process, and in seeking to align the reliability and market benefits limbs of the existing Regulatory Test, ETNOF believes that a primary practical consideration must be to enable timely investment in order to maintain reliability.

10. *The Commission is seeking views on what options it should consider in order to implement the new planning and consultation process agreed by COAG. The Commission is interested in views on the decision criteria to apply under this process, the alternatives to be considered and the processes for applying these planning and consultation criteria. Respondents may also want to propose broader issues that will require consideration. Scoping Paper, p16*

Response:

In the lead up to this question, the Scoping Paper considers some of the issues associated with integrating the reliability and market benefits limbs of the Regulatory Test. The AEMC notes that, in this context, "a related issue is the application of the revised consultation process."

In this response ETNOF first addresses the Regulatory Test integration issue and then extends this discussion to the possible implications for the "revised consultation process".

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1. Integration of the Regulatory Test Limbs

There are a number of options that would allow amalgamation of the reliability limb and market benefits limb of the Regulatory Test. From ETNOF's perspective, practical considerations must be balanced against theoretical purity. An approach that delivers theoretical purity but risks delaying reliability investment is not consistent with the NEM Objective, COAG decision, or TNSPs' accountabilities.

A workable alternative would appear to be to subject reliability standards to periodic assessment (such as the assessment the Reliability Panel has been tasked with) and then to adopt the resulting standards in a combined assessment. This is analogous to the approach used in the UK where investment criteria are wider than pure reliability.

In ETNOF's view, application of the current market benefits test to all major projects would almost certainly result in delays in transmission investment. For example, consultation may become mired in debates over modelling and the effects of slight variations on modelled investments. This would not be consistent with COAG's principle that a new regime must, at a minimum, be no slower than the present one.

It would also be problematic in the (many) cases where the augmentation is a combination of upgrades to a TNSP network and a DNSP network.

Current application of the market benefits limb of the Regulatory Test involves a highly theoretical process (eg. strategic bidding, levels of contract cover, etc) which attempts to achieve unrealistic precision in simulating market outcomes. In the process, it is drifting further away from a commercial and practical approach. For example, the AEMC's market benefits modelling of the Southern Generator's Rule change proposal and the Abolition of the Snowy Region illustrates how impractical it would be to apply this type of market benefits test to every major transmission project.

A possible approach would be to recognise that, where an investment is required to meet mandatory network performance standards, a "do nothing" option is not acceptable. That is, an investment (network or non-network) is required to be made to meet the identified need. So long as the TNSP implements the least cost option this would be considered to have satisfied the Regulatory Test.

Beyond such a safe harbour provision, it should be possible to include broader market benefits in the assessment as offsets against the costs of network and non-network alternatives. For example, additional savings in transmission losses or network support costs could be weighed up against the cost of advancing a network development to be earlier than would be required to meet the network performance need. If these **incremental** market benefits exceed the **incremental** costs of an option then that option should be considered to have satisfied the Regulatory Test, notwithstanding that the total costs may exceed the total benefits.

The general principle would be that where the **incremental cost** of a more expensive option is less than the **incremental benefits** of that more expensive option then the more expensive investment should be considered as having satisfied the Regulatory Test. Fundamentally, this would remain a reliability driven investment and processes which ensure timely delivery of investments required to meet reliability standards would need to be applied to the whole of these investments.

This approach would also work in cases where the augmentation is a combination of upgrades to a TNSP network and upgrades to a DNSP network.

Where there are no mandatory network performance standards, something akin to the existing market benefits limb would apply so that benefits must exceed costs and the option with the greatest net benefit is considered to have satisfied the Regulatory Test.

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The direction provided by COAG includes the requirement that, the new regime must at a minimum be no slower than the present time taken to gain regulatory approval for transmission investment. ETNOF considers that this requirement can be reasonably met by retaining the substantive elements of the existing provisions in the Rules that ensure timely deliver where the need for an investment is required principally to meet mandatory network performance standards. As there is no acceptable “do nothing” option in these circumstances the timeframes that are defined in the Rules must not be extended.

2. Revised Consultation Processes

To implement the more integrated Regulatory Test framework proposed above the AEMC is required to preserve TNSP accountabilities, while enhancing strategic planning of national transmission flow paths. Both these objectives can be achieved by requiring the national transmission planner to include the key market parameters and assumptions to be adopted in preparing the NTNDP.

Unless there are identifiable regional differences in these assumptions, TNSPs could use the same assumptions in applying the integrated Regulatory Test framework. For example, the national transmission planner could set out:

- generation capital cost and operating cost assumptions; and
- detailed assumptions on the modelling of “national market benefits”.

In this regard, AEMO would be well placed to advise on such issues, which are essentially judgement calls on public benefit outcomes. TNSPs would obviously be best placed to provide costs associated with the delivery of transmission services.

Broader issues include the efficacy of pricing signals for congestion management. Implementing a regime that invests to remove congestion without providing some form of market signal to new generation is unlikely to be consistent with the NEM Objective. Further, the investment regime will also need to interact with the incentive regime for TNSPs on the market impacts of congestion.

Accordingly, the national transmission planner’s consultation processes also need to address the information needs of generation investors. In this regard, the starting point would be to consider how the current Regulatory Test, Annual Planning Report, IRPC, and Annual National Transmission Statement processes address this objective. This would ensure that those aspects that are currently working well are retained in the new consultation regime.

11. *The Commission is seeking views on what are problems in the definition of market benefits, or the application of that definition, which lead to a failure to consider broader market benefits. The Commission is also seeking views on the responses that should be considered. Scoping Paper, p16*

Response:

The AEMC is required to consider how the assessment of market benefits can be broadened to include national market benefits.

The Scoping Paper notes that the current definition of market benefits in the Regulatory Test appears ‘broad’ and calls for respondents views on problems with the definition (or the application of the definition) which lead to inadequate consideration of broader market benefits (and that it has to date been impossible to justify investments purely on that basis).

Given the AEMC’s comments, it is not clear what issue is intended to be addressed here.

However, the direction provided by COAG includes the requirement that where possible, the new regime must not add to the time currently taken to gain regulatory approval for

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transmission investments. In this regard, the broader the definition of market benefits to be considered in any planning options assessment process, then the more complex the process and more susceptible the process becomes to disputation and delays. To address this, a wider range of benefits could be accommodated without delaying the timeframes if the key parameters and assumptions which can be used to determine the market benefits were pre-determined for the analysis to be undertaken by TNSPs. Such parameters could be determined by the national transmission planner and be included in the NTNDP as discussed under Issue 10.

The Regulatory Test Principles that were recently introduced into the Rules include a requirement for proportionality of effort in the conduct of Regulatory Test analyses. ETNOF considers that this concept of proportionality should be retained and used to guide activity around the consideration of what constitutes national market benefits in any specific application of the Regulatory Test.

12. *The Commission is seeking views on how the review should address the interaction between the new National Transmission Plan, the institutional arrangements for the transmission last resort planning power, and the institutional arrangements for the new network planning and consultation process. Scoping Paper, p16*

Response:

In its discussion on this matter, the AEMC notes that the “institutional arrangements for this new network planning and consultation process will need to be developed. The COAG does not set out specific arrangements for the new process. However, it does state that accountability for the jurisdictional transmission investment, operation and performance will remain with the TNSPs.”

One of the implications of the legal obligations on TNSPs for network performance and investment decisions is that the TNSP making an investment decision must be the party which undertakes the Regulatory Test. The TNSP cannot legally rely on a test performed by someone else, eg. national transmission planner. Thus, in order to avoid duplication, it is inappropriate for the national transmission planner to be performing any Regulatory Tests.

In accordance with the COAG decision, accountability for delivery of transmission services remains with the TNSPs. As such the national transmission planner function does not have a role to play in jurisdictional planning matters and cannot include responsibilities of any Jurisdictional Planning Body.

Clarity on this matter similarly addresses the interaction between the new National Transmission Plan, institutional arrangements for LRPP and institutional arrangements for the new network planning and consultation process. These interactions will be addressed by the governance, consultation and communication arrangements for the national transmission planner. In addition, these arrangements must recognise the need for TNSPs to continue to provide and receive information and analysis under the “national” process, and the importance of this to ensuring that TNSPs can effectively deliver on their accountabilities and legal obligations.

Turning specifically to the possible future role of the Last Resort Planning Power (LRPP), the LRPP function must remain in place even after the national transmission planner function is implemented (see comments on Issue 5).

5. Concluding Remarks

The AEMC's National Transmission Planner review, and the arrangements envisaged, should be bounded by the specifics of the COAG decision and the NEM Objective. Particular outcomes should include:

- that roles and responsibilities be clearly defined such that there is no unnecessary overlap of functions and, that the national transmission planner focuses on gathering, collating, and publishing information which informs TNSPs and market participants about truly strategic-level "national" benefits;
- development of a standard approach on how market benefits can be modelled and the parameters used in determining them;
- that the investment test itself must be structured to allow appropriate investments to take place in the same timeframe as at present;
- arrangements where proposed changes are proportionate to the magnitude of the problem or the real upside gain; and
- that TNSP accountabilities for service outcomes are clearly preserved, including that TNSPs are assured of their control over planning, investment, maintenance, and operation decisions.