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Dr John Tamblyn
Chairman
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Dear Dr Tamblyn

**Review of the National Framework for Electricity Distribution Network Planning and Expansion
Scoping and Issues paper**

VENCorp appreciates the opportunity to respond to the Australian Energy Market Commission (AEMC) Scoping and Issues paper on the Review of the National Framework for Electricity Distribution Network Planning and Expansion.

VENCorp is interested in the National Framework for Electricity Distribution Network Planning and Expansion because of the close ties between the distribution and transmission networks. In many cases, there are direct consequences for either the transmission or distribution networks as a result of planning and expansion of the other network. VENCorp is primarily concerned in the harmonisation of the two systems and believes that any network planning and expansion framework (for either transmission or distribution networks) should serve to optimise the overall operation of the combined systems.

Recent submissions to the AEMC's 1st Interim Report for the *Review of Energy Market Frameworks in Light of Climate Change Policies* support this view. In regards to new generator connections, submissions, in particular those from Distribution Network Service Providers (DNSPs), advocate that the review should place more of an emphasis on the impact for DNSPs rather than focusing only on the Transmission Network Service Providers (TNSPs). For example, CitiPower argued that since they have experienced a greatly increased number of connection enquires and applications as a result of greater investment in renewable generation that the issues being considered by the AEMC affected both TNSPs and DNSPs.



VENCorp strongly believes that a National Electricity Framework for Planning and Expansion needs to encourage (and direct) investment towards projects which are economically justified and provide the highest overall net benefit to the National Electricity Market (NEM) irrespective of whether the investment is located on distribution, transmission or both networks.

VENCorp's response to the Scoping and Issues paper (the Issues Paper) focuses on Section 3: "Annual Planning Requirements" and Section 4: "Project Assessment and Consultation Process".

Section 3: Annual Planning Requirements

As stated in the Issues Paper, the Electricity Distribution Code in Victoria requires DNSPs to publish an annual planning report covering the next five year period on how the DNSP plans to meet forecast demand and improve reliability including non-network alternatives in their considerations (e.g. embedded generation and demand management). Further, DNSPs are required to prepare an annual Transmission Connection Planning Report (TCPR) highlighting new connections and expanded connections which could potentially affect the shared transmission network. The TCPR in particular is an important input into VENCorp's Annual Planning Report.

VENCorp recognises the need for various specific annual planning requirements across NEM jurisdictions because of the unique ownership and operational situations in each jurisdiction. However, in light of the movement of the industry towards an Australia wide operated and regulated system, a national framework should aim to standardise the Annual Planning Requirements of DNSPs and TNSPs across the NEM.

Distribution and transmission planning processes increase in importance where there is greater separation between the ownership, operation and planning of the networks. More stringent National Electricity Rules (NER) regarding accountability, consistency and disclosure of relevant information in planning reports should be imposed. These should be consistent across NEM jurisdictions.

Clause 5.6.2 of the NER provides for joint planning between transmission and distribution. However, these obligations can be met in a number of ways ranging from informal discussions to Joint Regulatory Tests. In Victoria, joint planning has taken the form of provision/sharing of technical cost information to enable the responsible planner to make investment decisions. Currently, VENCorp and Victorian Distribution Business are exploring the possibility of a more rigorous joint planning process which includes joint technical and economic assessment of augmentation projects using a single regulatory test. A single regulatory test identifies the optimal augmentation to be undertaken in both transmission and distribution networks for a constraint occurring in the distribution network. In order for these projects to be successful there needs to be one regulatory test for all system projects and stringent planning requirements which enable the identification of these situations.

Section 4: Project Assessment and Consultation Process

The AEMC has asked about the form that the Regulatory Investment Test for Distribution should take. VENCorp is of the opinion that there should be no distinction between regulatory investment tests for transmission and distribution projects. It should be one test. As more generators connect directly to



the distribution network, the two systems effectively act as substitutes for one another. If the conditions for regulatory tests differ between the networks then generators will have an incentive to connect to one network over the other. Whilst having two separate tests may on the surface appear to better reflect the differences in the two networks, it ultimately serves to widen those differences; an action which is potentially detrimental to all electricity network users.

VENCorp's responses to some of the AEMC's questions raised in this section are set out below:

Scope of Projects

As the NEM develops there will be more and more cases where system constraints cannot be dealt with by only one distribution or transmission company. These issues will be best solved through a joint assessment process.

Threshold to trigger project assessment

Whilst VENCorp recognises that there are differences in the overall cost spectrum for estimated capital expenditure on transmission and distribution projects, VENCorp does not believe that there are any additional benefits to be derived for setting a lower threshold for distribution projects.

Identifying and consulting upon options

VENCorp believes that Requests for Proposals (RFPs) should be conducted under the same conditions, with the same thresholds for all system projects. A national framework should reflect this by providing consistency across the NEM.

Decisions making criteria to determine most economic option

VENCorp strongly supports a true economic cost benefit planning approach because it is the best way of achieving the National Electricity Objective: "to promote efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity with respect to price, quality, safety, reliability, and security of supply of electricity; and the reliability, safety and security of the national electricity system".

If you have any questions or queries please contact Louis Tirpou on (03) 8664 6615.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'G. Cook'.

Graeme Cook
Interim Chief Executive Officer