



Australian Energy Market Commission

Proposed Last Resort Planning Power Guidelines

Explanatory Statement

(under clause 6A.20(b) of the National Electricity Rules)

Last Resort Planning Power

The last resort planning power is provided for in clause 5.6.4(c) of the National Electricity Rules (the Rules). It empowers the Australian Energy Market Commission (AEMC) to direct one or more Registered Participants to apply the regulatory test in relation to a new transmission network investment aimed at relieving forecast constraints in respect of national transmission flow paths between regional reference nodes (a potential transmission project). The AEMC may also require a Registered Participant to identify such a potential transmission project for the purposes of applying the regulatory test. Clause 5.6.4 of the Rules also provides for other matters necessary for the exercise of the last resort planning power.

Requirement under clauses 5.6.4(o) and (p)

Clause 5.6.4(o) of the Rules requires the AEMC to develop and publish guidelines for or with respect to certain matters which are set out in detail in that clause.

Clause 5.6.4(p) of the Rules requires the AEMC to develop and publish the last resort planning power guidelines in accordance with the transmission consultation procedures contained in clause 6A.20 of the Rules.

Reasons for the last resort planning power guidelines

Together with the purpose for the last resort planning power contained in clause 5.6.4(b) of the Rules, the last resort planning power guidelines structure and guide the AEMC when exercising the last resort planning power under the Rules. In addition, the proposed last resort planning power guidelines (proposed guidelines) guide the Inter-regional Planning Committee in its role in providing advice to the AEMC, and also guide other persons who may be a recipient of a request from the AEMC to provide relevant information.

During the course of the Rule change process for making the *National Electricity Amendment (Transmission Last Resort Planning) Rule 2007* the AEMC identified a number of matters that it considered were matters of detail or implementation that were more appropriately the subject of guidelines (rather than inclusion in the Rules), or that were otherwise matters that would assist the market if the AEMC provided some guidance.

Clause 5.6.4(o) of the Rules sets out the areas for inclusion in the guidelines. The proposed guidelines include guidance on the following matters:

Appointment of persons to the Inter-regional Planning Committee which includes the process the AEMC will undertake in identifying suitable persons that it will request NEMMCO to appoint to the Committee. This process is to ensure suitably qualified and experienced persons are appointed that are willing and able to assist in considering the issues associated with any decision to exercise the last resort planning power (section 4);

Advice provided by the Inter-regional Planning Committee including the matters the AEMC may include in a terms of reference to the Committee in order to establish a transparent and robust framework for the advice that the Committee will provide to the AEMC. It is expected that the Committee's advice will play a key role in whether or not the AEMC exercises the last resort planning power (section 4);

Provision of information, public consultation and public reporting which addresses the procedure for public consultation, including on the Committee's advice, in order to ensure any exercise of the last resort planning power is transparent and all relevant issues are taken into consideration (sections 5, 6 and 7). The proposed guidelines also reinforce the requirement in the Rules for the AEMC to report annually on any procedural steps in takes towards exercising the last resort planning power (section 8);

Nomination of a directed party in order to provide clear guidance to potential directed parties and other relevant persons as to how the AEMC and the Committee will make a decision as to which Registered Participant could be directed to apply the regulatory test to a potential transmission project (section 9). The proposed guidelines identify matters that the AEMC and the Committee must consider when nominating or recommending a Registered Participant, including the location of the project and the benefits from the project.

The AEMC notes that the ability of directed parties to recover the costs of complying with the regulatory test is not addressed in the proposed guidelines. This reflects the AEMC's decision in its Rule Determination on the *National Electricity Amendment (Transmission Last Resort Planning) Rule 2007* to assess claims for cost recovery on a case-by-case basis.

Invitation for submissions

Interested parties are invited to make written submissions to the AEMC on the proposed Guidelines. Submissions should be received by **1 May 2007**.

Submissions may be lodged with the AEMC electronically (via email) or in hard copy (via ordinary mail).

To lodge a submission via email:

- the submission must be sent to submissions@aemc.gov.au;
- the submission must be on letterhead (if an organisation), signed and dated by the proponent;
- the submission must be in PDF format;

- upon receipt of the submission, the AEMC will issue a confirmation email. If this confirmation letter is not received within 3 business days, it is the proponent's responsibility to ensure successful delivery of the submission has occurred; and
- the submission should also be forwarded to the AEMC via ordinary mail.

To lodge a submission via ordinary mail:

- the submission must be on letterhead (if an organisation), signed and dated by the proponent;
- the submission should be sent to:

Australian Energy Market Commission
PO Box H166
Australia Square NSW 1215

- upon receipt of the submission, the AEMC will issue a confirmation letter. If this confirmation letter is not received within 3 business days, it is the proponent's responsibility to ensure successful delivery of the submission has occurred.