

10 October 2017

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney NSW 1235

Lodged online via: www.aemc.gov.au

Dear John,

EMO0032 Discussion Paper: Strategic priorities for the Australian energy sector

TransGrid welcomes the opportunity to respond to the AEMC's discussion paper on the strategic priorities for the Australian energy sector.

TransGrid is the operator and manager of the high voltage transmission network connecting electricity generators, distributors and major end users in New South Wales and the Australian Capital Territory. TransGrid's network is also interconnected to Queensland and Victoria, and is instrumental to an electricity system that allows for interstate energy trading.

TransGrid supports the AEMC's efforts to provide a comprehensive view of current priorities and workstreams in the energy sector, integrating the recommendations of the Finkel review and the various market bodies. However, we note that there is an ongoing need to streamline the various workstreams, to avoid overlap and potential inconsistencies.

The AEMC's characterisation of the links between energy market issues (chapter 3) fails to recognise the central importance of transmission network planning and interconnection to NEM-wide system security and reliability, particularly in the transition to renewable energy resources.

Similarly, the AEMC's focus in section 9.2 ("Networks as efficient platforms for energy services") is on its own review of the coordination of generation and transmission investment. TransGrid is concerned that it fails to discuss or prioritise other important workstreams in this area, in particular the following recommendations of the Finkel review:

- » AEMO should have a stronger role in planning the future transmission network, including through the development of a NEM-wide integrated grid plan to inform future investment decisions.
- » Significant investment decisions on interconnection between states should be made from a NEM-wide perspective, and in the context of a more distributed and complex energy system.
- » AEMO should develop a list of potential priority projects to enable efficient development of renewable energy zones across the NEM.

These recommendations flowed from one of the "three pillars" of the Finkel review – better system planning. However, they are not addressed in the AEMC discussion paper (just listed

in the separate summary document titled “detailed list of goals and initiatives”). This suggests that, while the Finkel review recognised the importance of these measures, the AEMC has failed to understand their significance and the priority which should be attached to progressing them.

In addition, TransGrid notes that it will be vital to ensure that the design and operation of the regulatory investment test for transmission (RIT-T) is consistent with the transmission investments identified through the integrated grid plan, if the NEM is to make a successful transition towards renewable energy sources. The interaction of the RIT-T with NEM-wide system planning and priority transmission investments should be identified as a priority workstream by the AEMC.

If you would like to discuss any matter raised in this submission, please contact Rachel Houston in the first instance on 02 9284 3336.

Yours sincerely,



Anthony Meehan
Executive Manager, Regulation