



Last Resort Planning Power: 2012 Review

Determining an efficient level of investment in interconnector capacity between regions is an important aspect of transmission planning in the National Electricity Market (NEM). Interconnector capacity is receiving the appropriate level of assessment under the current planning arrangements. Therefore, as in previous years, the Australian Energy Market Commission (AEMC) will not be exercising its last resort planning power in 2012.

Transmission Planning in the NEM

The Australian Energy Market Operator (AEMO) as the national transmission planner is responsible for developing an annual strategic overview of the future transmission needs of the NEM. In addition, each region of the NEM has its own jurisdictional planning body that is responsible for developing augmentations to the transmission network in its region. These bodies are accountable for meeting the reliability standards that apply in their region and must report annually on their network development plans.

Electricity is transmitted between regions using interconnectors that join the transmission networks of adjacent regions. Interconnectors can potentially improve reliability within these regions and can improve the efficiency of the NEM through inter-regional energy trading. Therefore, the jurisdictional planning bodies' annual planning reports include their assessment of potential interconnector augmentations to determine if any additional investments are efficient. The jurisdictional planning bodies' assessment is informed by AEMO's strategic overview.

The NEM planning arrangements also include the last resort planning power to allow any gaps in the interconnector assessments undertaken by the jurisdictional planning bodies to be addressed. This power under the National Electricity Rules allows the AEMC to direct a Registered Participant, most likely one or more of the jurisdictional planning bodies, to undertake an assessment of options to augment an interconnector. This power is to be exercised if it appears that one or more of the jurisdictional planning bodies have not undertaken a sufficient level of analysis of a constraint to inter-regional flows. The assessment under the direction would determine whether an option exists that would efficiently relieve the constraint. The rules also require the AEMC to report annually on its decision whether to exercise the last resort planning power.

Ongoing Planning Activities

The table on the next page summarises the activities that are presently underway in relation to inter regional transmission planning throughout the NEM.¹

¹ Table sourced from Marsden Jacob Associates and SW Advisory, *Last resort planning power 2012 comparison report*, 2012, pESii.

The AEMC will not exercise the LRPP in 2012.

Inter-connector	Nominal Maximum Capacity	Finding	Timeframe
QNI	NSW-Qld: 400 MW Qld-NSW: 1078 MW	Work is being undertaken to address uneconomic constraints on this interconnector. In June 2012 Powerlink and TransGrid published a Project Specification Consultation Report that presented a range of possible options.	Assessment draft report in mid-2013.
Vic to NSW	Vic-NSW: 3200 MW less Tumut Generation NSW-Vic: 1900 MW less Murray Generation	Various projects are being considered by TransGrid and AEMO and a preliminary feasibility study has commenced. A RIT-T ² has commenced to address increased NCAS to support greater transfers between NSW and Victoria.	Preliminary feasibility study being undertaken.
Heywood	Vic-SA: 460 MW SA-Vic: 460 MW	A RIT-T was initiated by ElectraNet and AEMO in June 2011 and a Project Specification Consultation Report was published in October 2011 that presents a range of options	RIT-T commenced June 2011 and PSCR published Oct 2011.
Murraylink	Vic-SA: 220 MW SA-Vic: 188 MW	Work is being undertaken examining options to increase capacity.	RIT-T assessment by AEMO is pending.
Basslink	Vic-Tas: 478 MW Tas-Vic: 594 MW	The NTNDP did not signal any requirement to upgrade Basslink	N.A.

2012 Last Resort Planning Power decision

The AEMC considers that the current planning arrangements are delivering an appropriate level of assessment of each of the interconnectors in the NEM. As a consequence, as in previous years, we will not be exercising the power in 2012.

This assessment is consistent with previous comments by the Commission that the current inter-regional planning arrangements are resulting in an appropriate level of interconnector investment.³ A similar conclusion was also reached by the Productivity Commission who conclude that “[i]nvestment in interconnectors to date appears to have provided a reasonably appropriate level of physical capacity to enable trading in power between regions (given current network, generation and demand profiles).”⁴

The Commission has published a decision report, along with a technical report that helped inform our decision by the consultants Marsden Jacob Associates and SW Advisory.

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² The RIT-T is the Regulatory Investment Test used for assessing transmission investment decisions.

³ Australian Energy Market Commission, *Transmission Frameworks Review, Second Interim Report*, 2012, Sydney, p59.

⁴ Productivity Commission, *Electricity Network Regulatory Frameworks Draft Report*, 2012, pp 597- 598.