

24 November 2016

Ms Meredith Mayes  
Director  
Australian Energy Market Commission  
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SYDNEY SOUTH NSW 1235

Dear Ms Mayes

## Replacement expenditure planning arrangements rule change

SA Power Networks welcomes the opportunity to comment on the AEMC's consultation paper on the rule change proposed by the Australian Energy Regulator (AER)—*National Electricity Amendment (Replacement expenditure planning arrangements) 2016*. The proposal is to include network asset replacements in the coverage of the Regulatory Investment Test for Distribution (RIT-D) and in the information required in Distribution Annual Planning Reports (DAPR). The rationale is that this will improve transparency in network asset replacement decisions.

While transparency is generally worthwhile and supported, it is important to consider the purpose to which it will be put. The RIT-D and DAPR processes were not intended for general education. Rather, their primary goal was to facilitate the involvement of third parties in network planning and their ability to propose credible alternatives, including non-network options.<sup>1</sup> To transparently assess and invite stakeholder input on revenue proposals, the AER can and already does separately require information from distributors. Therefore, in assessing the costs and benefits of the proposal, we encourage the AEMC to consider the following:

- the RIT-D should only apply to replacement projects with realistic opportunities for non-network alternatives—these are limited to significant investments with long planning timeframes. Compared to network augmentations, replacements generally have shorter planning timeframes and involve more individual and low cost works with no alternatives to like-for-like replacement.
- any network replacement information added to DAPR requirements needs to be shown to be of genuine relevance to third parties and be information that distributors can readily provide noting the complexity of forecasting asset defects. Further, the proposal to disseminate any such information via the DAPR needs to be compared against potentially more flexible and efficient alternatives such as via the Network Opportunity Maps.<sup>2</sup>

These issues are expanded on below.

### Applying the RIT-D to network replacement

In efficiently and prudently planning and managing our network, we already consider alternatives to augmenting or replacing network assets. These alternatives might be cheaper network or non-network options including those provided by third parties. In this sense, the RIT-D merely formalises and prescribes into a lengthy regulatory process (which can take several years) a discipline we already employ.

<sup>1</sup> AEMC, *Rule Determination-National Electricity Amendment (Distribution Network Planning & Expansion Framework) Rule 2012*, p.i

<sup>2</sup> This refers to the maps developed by the University of Technology Sydney in partnership with the Australian Renewable Energy Agency, and which are accessible on the Australian Renewable Energy Mapping Infrastructure website: [<http://nationalmap.gov.au/renewables/>]