

# AUSTRALIAN ENERGY MARKET COMMISSION USING COMPETITION TO BUILD NEW TRANSMISSION AT THE BEST PRICE

TRANSMISSION CONNECTION AND PLANNING ARRANGEMENTS  
DRAFT DETERMINATION 24 NOVEMBER 2016

## Draft determination

The draft rule would provide more choice, control and certainty for connecting parties, while at the same time making it clear that transmission businesses are accountable for a reliable, safe and secure network.

**Transmission connection arrangements\*** allow parties to connect to the transmission network. This involves building transmission lines and substations that connect generators, major users and distribution businesses to the network.

The draft rule would increase competition in building new infrastructure. It would require transmission businesses to be accountable for the safety and reliability of the transmission network - even if some parts of it are built and owned by other businesses.

**Transmission network planning** relates to how investment needs are determined.

The draft rule would improve the planning framework by requiring transmission businesses to take a consistent and more transparent approach when planning new infrastructure. It would also encourage better coordination among transmission businesses when they're considering investment options in a different region.

\* The proposed changes to connection arrangements would not apply to Victoria, where the regulatory regime for transmission connections is overseen by AEMO.

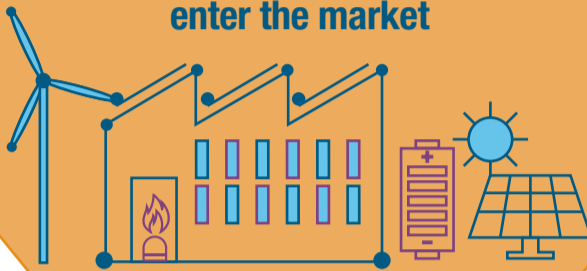
## Benefits of the draft rule

**An estimated 30 to 50 new large-scale generators will be seeking to connect to the transmission network by 2020.**

More competition in connection arrangements, increased transparency of the connections process, and a stronger negotiating framework will help deliver the most efficient solutions for expanding the network as a truly national grid.

The proposed changes could lead to savings of over \$100 million in the next three years, ultimately minimising the long-term costs of electricity for consumers.

## New generators and major users seeking to enter the market



## Transmission connection arrangements proposed improvements:



Introducing contestability for the design, construction and ownership of assets on the transmission network used for connection



Strengthening principles for negotiations between connecting parties and transmission businesses



Clarifying aspects of the connection process



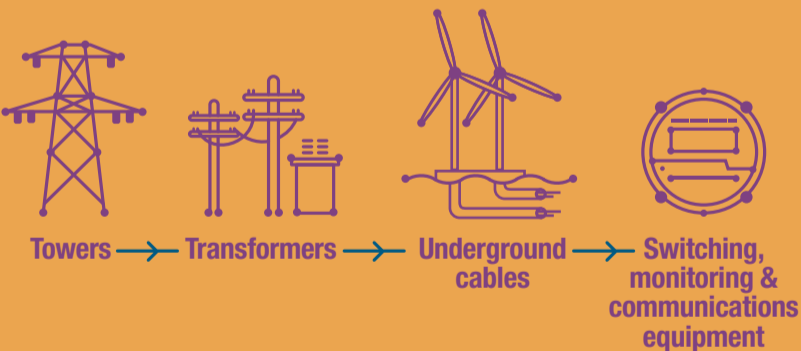
Introducing an 'engineering expert' to provide advice on technical aspects of a connection



Improving transparency of information for connection applicants

## What are transmission networks?

Transmission networks form the "backbone" of the National Electricity Market. They include towers, high-voltage wires, underground cables, transformers, switching equipment, and monitoring and communications equipment. They connect generators to large customers and to the distribution system. There are transmission networks in each state and territory, with cross-border interconnectors that link the networks of eastern and southern Australia together.



## Transmission network planning proposed improvements:



Requiring annual planning reports to include information on network constraints, forecasting methodology and key changes since the last report

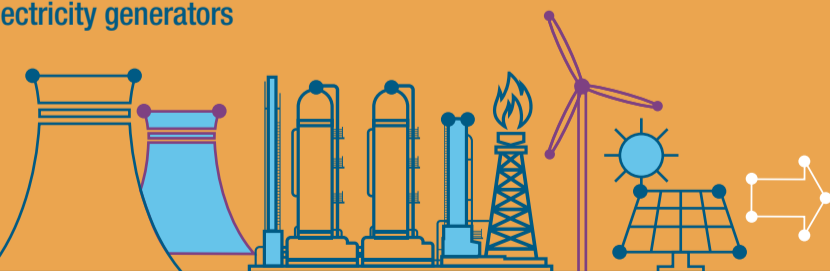


Introducing a requirement for transmission businesses to consider investment options in another transmission business's region so options are not limited by geography or state boundaries



Introducing a new guideline to support consistency across annual planning reports

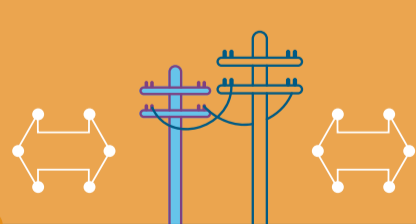
## Electricity generators



## Transmission network



## Distribution network



## Consumers



## AN EVOLVING TRANSMISSION FRAMEWORK

The proposed changes are part of an evolving framework that encourages transmission network businesses to build transmission at the best price, while maintaining a secure and reliable transmission network.

### 2008-09

Review of how climate change policies could impact market frameworks – including for transmission – in delivering efficient outcomes

### 2010-2013

Transmission Frameworks Review identified potential changes to enable more efficient investment in transmission and generation to minimise the long-term costs for consumers

### 2013

Review of the framework for transmission reliability - a new approach to setting reliability levels and promoting more efficient investment

### 2015-2017 Transmission Connection and Planning Arrangements rule change

### 2016

New rule requiring transmission businesses to consider the impact of new large generator connections on the transmission network

### 2016

New biennial AEMC report on drivers that could impact future transmission and generation investment