



Distribution Network Planning and Expansion Framework

Commencement of public consultation

The AEMC has commenced public consultation on a rule change request submitted by the Ministerial Council on Energy (MCE) which seeks to implement a national framework for electricity distribution network planning and expansion. As an important first step in the process, the AEMC has released a Consultation Paper setting out its proposed approach to the assessment of the proposal and highlighting a number of issues for consultation that appear to be relevant to the rule change request.

Electricity distribution network planning

Distribution network businesses plan and develop their networks in order to meet predicted demand and ensure the provision of safe and reliable services to consumers.

In undertaking their network planning and expansion activities, distribution businesses face various obligations at both a national and state level. These obligations are in place to help mitigate the risk of inefficient investment occurring as a consequence of the monopoly characteristics of network infrastructure.

It is therefore essential to have in place well-designed planning and expansion arrangements to provide sufficient confidence that distribution networks are being developed in an optimal manner.

Current arrangements

Currently, Chapter 5 of the National Electricity Rules sets out a number of high level national requirements in respect of electricity distribution network planning. These requirements are general in nature and are supplemented by a range of state-based regulatory arrangements which differ significantly across jurisdictions.

As a result, there is a view that the lack of consistency and transparency associated with the current arrangements impedes efficient investment by distribution businesses and market participants. There is also a view that the current arrangements create a bias against the consideration of non-network alternatives in distribution network planning.

The MCE's rule change request

The MCE's rule change request marks the final stage of one aspect of the national energy reform process, as agreed by the Council of Australian Governments (COAG) under the 2006 amended Australian Energy Market Agreement (AEMA).

The rule change request seeks to implement a national framework for electricity distribution network planning and expansion. Specifically, it is intended to give effect to the recommendations put forward by the AEMC in its final report for the *Review of National Framework for Electricity Distribution Network Planning and Expansion*, published in September 2009.

The proposed national framework for distribution network planning and expansion comprises several key elements including:

- an annual planning process;
- annual reporting requirements;
- a Demand Side Engagement Strategy;
- arrangements for joint planning;
- a Regulatory Investment Test for Distribution (RIT-D); and
- a dispute resolution process.

Further details of each component of the proposed national framework are provided in the AEMC's Consultation Paper.

Background

The 2006 amended AEMA set out a number of energy market regulatory functions carried out by the states which COAG agreed would be transferred to a national framework. In respect of electricity distribution, this included arrangements for network planning and expansion.

In December 2008, the MCE directed the AEMC to conduct a review into the arrangements for electricity distribution planning and expansion and propose recommendations to assist the establishment of a national framework for such planning and expansion.

The AEMC's final report for that review, published in September 2009, provided a series of recommendations and supporting reasoning for the establishment of such a framework and included a proposed rule to implement the arrangements, for consideration by the MCE.

In September 2010, the MCE published a response to the AEMC's final report, expressing support for the AEMC's findings and recommendations.

Accordingly, on 30 March 2011, the MCE requested that the AEMC progress the rule change request, having regard to the contents of the MCE's response.

Public Consultation

On 29 September 2011, the AEMC commenced public consultation on this rule change request by publishing, on its website, the MCE's rule change request and an AEMC staff Consultation Paper: www.aemc.gov.au

Submissions on the Consultation Paper close on **24 November 2011**.

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