



More efficient distribution network planning

Distribution network planning and expansion framework

Final rule determination 11 October 2012

The AEMC has made a final rule in response to the Distribution Network Planning and Expansion Framework rule change proposed by the Ministerial Council on Energy. The final rule establishes a national framework¹ for distribution network planning and expansion, including new demand side obligations on distribution businesses, within the National Electricity Rules. This will support these businesses and other market participants in making efficient investment decisions which will in turn facilitate the efficient development of distribution networks in the long term interests of consumers.

The Commission's final rule

The final rule is largely reflective of, and consistent with, the rule proposed by the Ministerial Council on Energy (MCE). However, the final rule incorporates several policy modifications and a number of amendments to improve and clarify the application and operation of the new national framework.

The final rule consists of an annual planning and reporting process, and a distribution project assessment process. The key components of the final rule are as follows:

1. Distribution annual planning review

- The new rules replace current arrangements with a comprehensive and clearly defined annual planning process. All distribution businesses are required to conduct an annual planning review covering a forward planning period of five years. The planning review must include all distribution assets and activities undertaken by distribution businesses that would be expected to have a material impact on their networks. A comprehensive planning review will support the businesses in making efficient planning decisions.

2. Distribution annual planning report (DAPR)

- All distribution businesses must publish an annual planning report. The report will set out the outcomes of the annual planning review and will include information on: forecasts, including capacity and load forecasts; and system limitations. Public reporting on distribution business planning processes and activities will allow network users to make better informed and more efficient investment decisions.

3. Demand side engagement obligations

- The new rules introduce several demand side engagement obligations on distribution businesses, including a requirement to develop and document a demand side engagement strategy, and an obligation to engage with non-network providers and consider non-network options in accordance with this strategy. These requirements will encourage better engagement between distribution businesses and non-network providers, and provide greater transparency on how DNSPs assess and consider non-network options.

¹ Reference to 'national framework' means the national rules proposed to replace the separate rules that have to date operated in each jurisdiction and which would be applicable to distribution businesses in each NEM jurisdiction.

Key changes continued

4. Joint planning arrangements between network businesses

- Joint planning refers to the planning processes and activities undertaken collectively by multiple network businesses to address any common problems impacting on their networks. The new rules are largely consistent with current practice and require network businesses to carry out joint planning with the owners of any connected networks where there are common issues.

5. Regulatory investment test for distribution (RIT-D)

- The RIT-D, which will replace the current regulatory test, establishes the processes and criteria to be applied by distribution businesses in order to identify investment options which best address the needs of the network. The new rules set out the principles to which the test, being developed by the regulator, must adhere. They also include the procedural consultation requirements to be followed by distribution businesses when applying the test.

6. Dispute resolution process

- The new rules include a dispute resolution process that is open to all projects subject to the RIT-D. The dispute resolution process provides a transparent and accessible mechanism for parties to raise questions regarding the application of the RIT-D process by distribution businesses. In doing so, it provides an important check on the discretion afforded to distribution businesses during the RIT-D project assessment process.

Reasons for the Commission's decision

The Commission considers that the final rule will contribute to the achievement of the National Electricity Objective by establishing a clearly defined and efficient planning process for distribution network investment. This will support the efficient development of distribution networks. The final rule will also provide transparency to, and information on, distribution business planning activities and decision making processes. This will assist market participants in making efficient investment decisions and enable non-network providers to put forward credible non-network options as alternatives to network investment.

In making its final determination, the Commission considered whether the proposed framework will provide for the minimisation of total system costs which should, over time, lead to efficient prices. The Commission considers that the final rule will achieve this outcome.

Timing

This rule change was lodged by the MCE on 30 March 2011. The final rule determination and final rule were published on 11 October 2012. The new rules will commence from 1 January 2013.

Background

Implementation of a national framework for electricity distribution network planning and expansion was first considered in detail in the context of the AEMC's Review of National Framework for Electricity Distribution Network Planning and Expansion.

On 30 March 2011, the MCE submitted a rule change request to the AEMC. The objective of the rule change request was to implement the recommendations put forward in the AEMC's review, subject to several modifications made by the MCE.

The AEMC formally commenced the rule making process on 30 September 2011.

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