



Transmission Frameworks Review

First interim report released for public comment

The AEMC is consulting with stakeholders on five alternate paths for reforming the role and provision of transmission networks. The first interim report also sets out options for enhancing the planning and connection arrangements. The AEMC is yet to make recommendations.

The transmission frameworks review

This review was initiated by the Ministerial Council on Energy (MCE) to ensure that transmission arrangements that govern transmission and generation decisions are the most workably efficient going forward. This is a particularly important question, given the significant but uncertain changes in generation fuel mix and location which are now expected (partly as a result of climate change policies).

A number of risks might eventuate if transmission frameworks are not effective. If the frameworks promote over-investment in transmission, consumers would face higher costs without receiving a commensurate benefit in return. On the other hand, under-investment could lead to an unreliable supply and reduce competition between generators, leading to higher prices. Stakeholders have expressed widely varying views on the workability and efficiency of current arrangements. However, to date limited evidence has been provided which demonstrates the materiality of any current or anticipated inefficiencies associated with existing arrangements.

What is in the first interim report?

The first interim report presents five alternate paths for reforming transmission arrangements to support the delivery of electricity from generation to customers at the lowest overall cost. These five internally consistent models for transmission are documented to help focus stakeholder comment. The interim report also sets out a number of options for enhancing the planning and connection arrangements.

Stakeholder submissions are due on Friday 27 January 2012.

The importance of transmission

Transmission of electricity from generators to end use customers is central to the existence and efficient functioning of the National Electricity Market (NEM). Arrangements that influence how the network is planned, how transmission investment decisions are made and how the network is operated are pivotal to delivering efficient prices to customers.

Key elements of transmission arrangements include:

- the services that are provided to generators by transmission;
- management of network congestion, which occurs when the network is unable to accommodate the lowest priced generation;
- how use of the transmission network is charged for;
- the way in which the transmission network is planned; and
- how transmission users can connect to the transmission network.

These elements are highly inter-related. They must be considered holistically to ensure that the various elements work together to provide a consistent overall framework.

The AEMC has proposed five alternate paths for reform to test with stakeholders. Submissions are due on 27 January 2012.

Five packages for reform to be tested with stakeholders

The first interim report sets out for stakeholder consideration and feedback five alternate paths to reforming transmission arrangements in the NEM. These range from packages that are similar to the current arrangements whereby generators are not entitled to a defined level of transmission service but are not required to pay for network use, to packages that redefine the rights that generators have to use the transmission network.

Central to each package is the nature of the transmission services that are provided to generators. This, in turn, shapes the nature of charging, planning and in some cases the institutional arrangements that are proposed in the package. Changing the nature of transmission services would therefore require widespread reform across the transmission arrangements.

Options for enhancing planning and connection arrangements

The first interim report also sets out for feedback some proposals for improving current arrangements for transmission planning and connecting generators and large load to the transmission network. These could apply under the current or alternative arrangements.

In relation to planning, a number of options have been proposed to enhance current arrangements with a particular focus on inter-regional planning. A number of more substantial reforms are also discussed, based on stakeholder submissions to this review.

In the case of connections, the report sets out analysis and questions regarding current arrangements. The focus is on clarifying ambiguity in the current arrangements, but more fundamental questions are also raised about the nature of economic regulation of, and access to, connections and extensions.

The Commission has not identified any preferred options at this stage of the review.

Next stage for this review

The next stage of the review will narrow down the set of possible reforms to test against outcomes under the current arrangements. We will identify one or two preferred options, informed by stakeholder submissions and further analysis, and also set out our preferred options for reform to the planning and connections arrangements in the second interim report.

Ultimately the AEMC will recommend to the MCE a set of arrangements that support efficient decision making by transmission businesses and generators to minimise overall costs for consumers in the long term.

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