



## Replacement expenditure planning arrangements

Stakeholder submissions invited on new rule change request

**The Australian Energy Market Commission (AEMC) has commenced consultation on a rule change request from the Australian Energy Regulator (AER) which seeks to increase the transparency of network asset replacement decisions by electricity transmission and distribution network service providers (NSPs).**

### The rule change request

The AER considers that in the current environment of low electricity demand growth combined with non-network solutions increasingly providing viable alternatives to network solutions there is a need for more transparency on network asset replacement decisions by network service providers (NSPs).

The AER proposes amendments to the National Electricity Rules (NER) to:

- explicitly require NSPs to include in their annual planning reports information on:
  - planned asset retirements and de-ratings (with guidelines to be prepared by the AER to determine the class of assets required to be reported on); and
  - options to address network limitations arising from these retirements and de-ratings;
- extend the application of the regulatory investment tests to replacement projects.

The AER also proposes a number of related secondary amendments to the NER.

### Context of the rule change request

The requirements for the planning of replacement expenditure are contained within the electricity network planning arrangements in Part B of Chapter 5 of the NER.

In addition to this rule change request from the AER, a number of processes are underway that are considering issues related to the current planning arrangements. In particular, the AEMC is in the process of assessing, or has received, the following rule change requests that may also result in changes to network planning arrangements:

- local generation network credits;
- transmission connection and planning arrangements;
- alternatives to grid-supplied network services; and
- contestability of energy services – demand response and network support.

In addition, the COAG Energy Council has tasked officials to review the effectiveness of the regulatory investment test for transmission (RIT-T) in the current market environment, in particular in relation to National Electricity Market interconnector investment.

In assessing the AER's rule change request the Commission will keep abreast of these developments.

### Consultation on the rule change request

Submissions on the rule change request are to be lodged by 24 November 2016.

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**Submissions are  
due by 24  
November 2016.**