



Last resort planning power – 2016 review

Publication of decision report

The Australian Energy Market Commission (AEMC) has found that transmission network service providers (TNSPs) in the national electricity market (NEM) are adequately considering inter-regional transmission constraints in their planning of investment in the network. It has therefore decided not to exercise the last resort planning power in 2016.

Background

The last resort planning power is provided for in the National Electricity Rules. It allows the AEMC to require one or more network service providers to apply the regulatory investment test for transmission to augmentation projects that are likely to relieve a forecast constraint on a national transmission flow path.

These flow paths include the infrastructure that allows electricity to be physically transferred across the NEM regional boundaries, known as interconnectors. Each interconnector will have a certain capacity which establishes an upper limit to the amount of electricity that can be carried across the interconnector.

In practice, limits elsewhere in the network can cause the actual transfer capacity of an interconnector being set at lower levels. For this reason, the Commission has regard to both the 'physical' interconnectors and to the transmission flow-paths and/or corridors leading up to the interconnectors when considering whether to exercise the last resort planning power.

Following on from this, the purpose of the last resort planning power is to ensure timely and efficient inter-regional transmission investment when other mechanisms to provide for the planning of this investment appear to have failed.

The AEMC must exercise the last resort planning power in accordance with requirements in the National Electricity Rules and the last resort planning power guidelines. The AEMC is also required to report annually on the matters which it has considered during that year in deciding whether to exercise the last resort planning power. To date, the AEMC has not exercised the last resort planning power.

Decision

The AEMC has decided not to exercise the last resort planning power in 2016 because its analysis has found that inter-regional flow constraints are being appropriately considered by TNSPs in their 2016 transmission annual planning reports.

To assist it in determining whether to exercise the last resort planning power in 2016, the AEMC has reviewed the TNSPs' annual planning reports, published in 2016, against the constraints on the transmission network forecast by the Australian Energy Market Operator (AEMO) in the National Transmission Network Development Plans (NTNDPs) for 2015 and 2016, published in 2014 and 2015 respectively. The AEMC has also considered other relevant information published by AEMO and the TNSPs.

With the exception of the upgrade of the Heywood interconnector between Victoria and South Australia, the NTNDPs for 2015 and 2016 did not identify a requirement for augmentation to the infrastructure connecting the different regions in the NEM. The upgrade of the Heywood interconnector is expected to be in full commercial service by March 2017.

Transmission network service providers continue to address or monitor constraints on the infrastructure connecting the NEM regions and the infrastructure within their networks that could impact on inter-regional electricity flows in their 2016 transmission annual planning reports. For example, TransGrid and Powerlink have committed to continue to monitor constraints on the Queensland-NSW interconnector. Similarly, ElectraNet has completed works to enable greater flow of electricity across the Taillem Bend to Tungkillio transmission corridor leading to the Heywood interconnector.

Other interconnector studies in the NEM

Some electricity market stakeholders are actively considering building new interconnectors for a range of reasons that are not limited to forecast inter-regional constraints:

- ElectraNet is considering a range of potential interconnector options from South Australia to either New South Wales or Victoria which will be subject to a regulatory investment test (RIT-T) process expected to commence later this year.
- The Commonwealth and Tasmanian Governments have initiated a feasibility study on a second interconnector from Tasmania to Victoria. A preliminary report on the study was released on 21 June 2016. A final report is due by the end of January 2017.

In addition to these interconnector studies, the COAG Energy Council has tasked officials to review the effectiveness of the RIT-T in the current market environment. The AEMC is on the working group conducting this review which also consists of representatives from the Commonwealth and state and territory governments, the Australian Energy Regulator and AEMO. The working group are to prepare a report for energy ministers for consideration at the December 2016 COAG Energy Council meeting.

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