



## Last resort planning power: 2013 review

**Transmission planning bodies in the National Electricity Market are actively addressing inter-regional network development priorities in their planning activities. The Australian Energy Market Commission has therefore not found the need to exercise the last resort planning power in 2013.**

### Last resort planning power - 2013 analysis

The last resort planning power (LRPP) is an oversight mechanism, conferred on the Australian Energy Market Commission (AEMC). The purpose is to ensure that sufficient investment occurs in those parts of the transmission network related to the flow of electricity between regions in the National Electricity Market (NEM).

In order to decide on the exercise of the LRPP in 2013, the Commission reviewed the National Transmission Network Development Plan (NTNDP), published by the Australian Energy Market Operator (AEMO) in its role as National Transmission Planner, and the annual planning reports published by the planning bodies for the individual regions of the NEM.

Substantial changes in the market environment, most notably the decline in energy demand, have led AEMO to conclude in the 2012 NTNDP that less transmission investment is likely to be required over the 25 year outlook period compared to previous estimates.

Among the listed planning priorities is the upgrade of the Heywood interconnector between Victoria and South Australia. The planning bodies for South Australia and Victoria are actively addressing this upgrade. The Australian Energy Regulator recently found that the proposed upgrade satisfied the regulatory investment test for transmission.

Planning bodies in the NEM continue to address or monitor constraints within their networks that could affect the inter-regional electricity flows. Examples include the ongoing process to examine the potential for upgrades to the interconnector between Queensland and New South Wales and planning activities aimed at improving electricity flows between New South Wales and Victoria.

From this analysis, there does not appear to be a lack of planning activity regarding inter-regional transmission infrastructure. Therefore, the AEMC has not found the need to exercise the LRPP in 2013.

### Transmission network and interconnection

The interconnected transmission network is important for facilitating a secure and stable supply of electricity to consumers and supporting the NEM wholesale market.

The transmission network physically connects the five regions that make up the NEM and enables electricity to flow across regional boundaries. Interconnection allows lower-priced electricity in one region to be exported to higher-priced regions, thereby increasing competition between generators. This benefits consumers of electricity.

Constraints in the transmission network can undo the benefits of interconnection as they can create bottlenecks to the inter-regional flow of electricity.

The benefits of increased inter-regional flows must be compared with the increased transmission costs of removing these constraints.

### Transmission planning and the LRPP

An important aspect of transmission planning is to examine potential constraints in the transmission network and to consider options to alleviate those constraints when economically efficient.

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**The AEMC has not found the need to exercise the LRPP in 2013.**

Transmission planning is undertaken by AEMO and the jurisdictional planning bodies for individual regions of the NEM. As National Transmission Planner, AEMO each year identifies priorities for the development of the national transmission network in the NTNDP. This includes projects related to flows of power between NEM regions. Jurisdictional planning bodies are expected to take network development priorities listed in the NTNDP into account when undertaking planning activities for their regions.

Under the LRPP, if the AEMC considers inter-regional transmission network priorities are not being sufficiently addressed in the planning activities of the jurisdictional planning bodies, it has the power to direct a participant to undertake a regulatory investment test for transmission in relation to a particular part of the network.

Being a last resort measure, the LRPP is designed only to be utilised where there is clear indication that regular planning processes have resulted in a planning gap regarding inter-regional transmission infrastructure.

The AEMC is required to report annually on the exercise of the LRPP. The report released today fulfils that obligation.

In the past three years that the AEMC has conducted this review, we have not found the need to exercise the last resort planning power.

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Date: 5 December 2013