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Dear Dr Tamblyn

National Transmission Planning Arrangements – Issues Paper

EnergyAustralia welcomes the opportunity to respond to the Commission's Issues Paper on the national transmission planning arrangements (NTP).

EnergyAustralia agrees in principle that the national transmission planning arrangements are in need of review and we have contributed throughout to this process, including during the ERIG deliberations. We have responded in some detail to the questions raised in the Issues Paper in the accompanying document. However, I would particularly like to mention the following concerns:

- **Extent of coverage of the NTP:** In our view the NTP should have responsibility for coordinating the planning of those portions of the interconnected transmission network which are currently covered by the market benefits limb of the Regulatory Test. Only those portions of the network where augmentation would have a significant effect on market settlements, within or between regions should be within the purview of the National Planner.
- **Planning envisaged for the NTP:** We are of the view that for the NTP to effectively carry out its functions it needs to span two of the Illustrative models described in Section 8 of the AEMC's discussion paper. That is, the NTP needs to carry out long range scenario based planning of both electricity and gas transmission. As well, it needs to develop more detailed plans covering a 10 year horizon, to provide a high level framework for the TNSP's augmentation proposals.
- **The Regulatory Information Test:** Our concern relates to the fact that most reviews, including the current one by the AEMC, concentrate on the market benefits limb for transmission investment. Reviews have ignored the fact that the Test is much more frequently used for distribution investments under the reliability limb. The recent adoption of ex ante regulation of networks has created powerful financial incentives which should be accompanied by a fundamental review of the principal purposes of the Test and logically, the relaxation of regulatory oversight.

Any modification of the Test needs to facilitate its use by TNSPs and DNSPs when carrying out augmentations currently planned under the reliability limb. This is the more important since such investments, especially at the distribution level, are in response to customer demands and take place within short lead times.

If you have any questions concerning EnergyAustralia's response, please feel welcome to contact me on 02 9269 2111 or Mr Harry Colebourn on 02 9269 4171.

Yours sincerely,

GEORGE MALTABAROW
Managing Director

Attach



AEMC National Transmission Planner
Summary of issues and EnergyAustralia response

Issues raised by AEMC	EnergyAustralia response
3. <u>The Functions of the National Transmission Planner</u>	
3.1 <u>The appropriate boundary between national planning and local planning</u>	
Whether the Commission is correct to assume that the scope of the NTP must be limited to a sub-set of 'national' planning issues if it is to be consistent with the MCE's direction;	EA agrees with the Commission's position that "the role of the national planning function should be complementary to the role of state planning". However, if the role of the NTP is to simply identify current and future constraints on those parts of the national transmission network, the definitions around what comprises the national transmission network become increasingly important. The Commission concludes that "the distinction between 'national and 'regional' planning provides clear guidance that the NTNDP will not cover all transmission planning issues, but rather a subset of planning issues relating to elements of the network which have national significance". This sounds good on the surface but there needs to be a clear definition of "national significance", especially as the "National" network began in the 1950's as a very basic interlinking of Regionalised Transmission Networks. For example, some would suggest that the development of the electrical network in the Sydney CBD could have "national significance" but this clearly does not have a material impact on National flows or the market operation. In EnergyAustralia's view, the role of the NTP should be confined to those portions of the transmission network where impacts on the market settlements have a material impact. This clearly includes the interstate interconnections, the main backbone of the regional transmission networks and the connections to major generation centres. It also excludes most transmission capital investment projects within a region
Whether a definition of 'national' that limits NTP scope to planning issues which relate to constraints which (materially) involve interconnector flows is practical and workable?	The NTP would add most value in a coordination role in assessing/comparing national versus regional benefits of only the very high level national grid issues/projects. The extent of the transmission network which should be subject to coordination is as described above.
Whether the current definition of National Transmission Flow Paths should be used in defining the scope of the NTP functions?	The Glossary of the Rules defines a <i>national transmission flow path</i> as: <i>"That portion of a transmission network or transmission networks used to transport significant amounts of electricity between generation centres and load centres."</i> This definition is considered to be capable of such broad interpretation that it could arguably extend well into the distribution networks supplying urban centres. It is believed a much more specific definition would be required to unambiguously define the responsibilities of the NTP. That definition should centre upon the materiality of market impacts on potential network investment. No one

Issues raised by AEMC	EnergyAustralia response
<p>What other practical options exist for clearly and unambiguously defining the scope of planning issues within the scope of the NTP.</p>	<p>benefits from the duplication or overregulation of planning processes at a localised or regional level.</p> <p>In principle, those portions of the interconnected network that can have a material effect on the market settlements or on the security of the interconnected system, either in normal or contingency operation, are those that should become subject to the coordinating influence of the NTP. The type of augmentation currently covered by the “reliability limb” of the Regulatory Test, to meet specific service standards, should not be the province of the NTP.</p> <p>It is recognised that the current reviews of the Regulatory test may well change the nature and format of the test. As an overriding principle, if the assessment of “market benefits” is material compared with the cost of an augmentation, then overall coordination by the NTP would be appropriate¹.</p>
<p>3.2 The breadth (in terms of scenarios) and depth (in terms of level of detail on investment options or solutions) included in the NTNDP</p>	
<p>What range of scenarios should be required to be considered within the NTNDP?</p>	<p>If the NTP is going to add value to planning of the Transmission network it will need to put forward different scenarios taking into account present and future generation patterns and present and future network loading (including demand management scenarios). For these different scenarios, or augmentation options, to be of value to the state planners, there would need to be enough detail to understand the conclusions reached. There is a need for planning by the NTP to take place within differing time horizons:</p> <ul style="list-style-type: none"> • An overall strategic plan should cover 20-30 years or more and encompass a broad range of scenarios. It should be reviewed at 3-5 year intervals or if a major change to any of the underlying assumptions takes place. <p>The benefit of this strategic plan would be in identifying where provision may be needed for sites and transmission corridors. Such long range planning is also essential to determine where significant changes, such as a change to the voltage level for transmission, are appropriate. This long range planning was carried out by the individual transmission entities before the advent of the NEM and it is essential that it be continued, and expanded to have a national focus, to cater for future needs.</p> <p>A 10 year development plan would fit within the strategic plan and cover projects on which the detailed design and approval activities must be commenced.</p>

¹ Australian Energy Regulator “Final Decision - Regulatory Test version 3 & Application Guidelines, November 2007, pp54-55.

Issues raised by AEMC	EnergyAustralia response
<p>What level of detail should the NTNDP include in relation to options for, or solutions to, planning issues within its scope?</p>	<p>As an indication of the broad level of planning assumptions that might form part of the NTP's considerations, Ofgem has committed to look at a range of future scenarios for electricity networks that could arise as a consequence of market and policy developments. For this reason they have commenced developing long-term electricity network scenarios for Great Britain, extending to the year 2050².</p> <p>Long term planning should be considered in its context and should not be used as a substitute or a critique of more detailed transmission planning by individual TNSPs, particularly as part of a regulatory process.</p>
<p>In what specific ways might the NTP add value through greater involvement in the planning process, and how material would this added value be?</p>	<p>The COAG Communiqué provided guidelines that include “the NTNDP must not be binding on transmission companies” and “The AER is to have regard to the NTNDP when making revenue determinations, but the AER is not bound by it”. These two statements greatly weaken the role that any NTP may have. As noted above, long term planning should not be taken out of context. Nevertheless, it would be appropriate for both TNSPs and the AER to be required to demonstrate that their proposed network developments, and the associated revenue allowance, fit within the outline of the NTDP.</p> <p>Just as Joint Planning arrangements have been established between TNSPs and DNSPs to coordinate planning and identify least-cost solutions, there will be a need for equivalent arrangements at the national level to coordinate the activities of the NTP and the TNSPs.</p> <p>The Commission notes that “Transmission planning is not a discrete activity. The decision to invest and the specification of the investment is developed over time, and can vary considerably, as new and more detailed information becomes available”.</p> <p>This is a true statement of the planning process, plans can change significantly as new information becomes available, and we have seen this as EA has over the last 12 months developed area plans and refined strategies in preparation for its 2009 AER determination.</p> <p>Establishing an additional level of planning above the regional planners does have the potential to become cumbersome and repetitious, leading to slow decision making and unproductive outcomes. For this reason it is considered that the involvement of the NTP should be limited as described above, effectively to long term scenario planning and those projects where what are currently termed market benefits constitute a material portion of the cost of an augmentation.</p>

² Ofgem, “Long-Term Electricity Network Scenarios (LENS) – methodology, general project update and second workshop”, 13 November 2007.

Issues raised by AEMC	EnergyAustralia response
3.3 Scope of the National Plan	
<p>To what degree should the three areas of power generation, gas transmission, and electricity distribution be in the scope of the national plan, and what specific functions should the NTP have to give effect to this?</p>	<p>The electricity transmission network planning at a national level will need to have regard for the disposition of generation and loads. Further, the gas transmission network will also need to be considered because of its significant influence on generator locations, characteristics and capability.</p> <p>As noted above, the role of the NTP should be confined to planning and coordination of those parts of the network that have material effect on the operation of the electricity market.</p> <p>For the major portion of regional transmission networks and at the distribution level, the security and reliability of supply to customer loads is the driver of much network augmentation. It is not envisaged, and would not be appropriate, for the role of the NTP to overlap with that of TNSPs and DNSPs in this province.</p>
<p>To what extent should planning of embedded generation, demand side management and NCAS provision be within in the scope of the Plan, and what specific functions should the NTP have in this regard?</p>	<p>Whilst the planning for the interconnected network must take into account the expected impact of DM and embedded generation, detailed planning at local level is necessary by TNSPs and particularly DNSPs to accommodate such developments, which generally form a tactical response to managing the growth of demand.</p> <p>EA's view is that the NTP's role should be confined to developing scenarios, in concert with TNSPs, DNSPs and other stakeholders, of the impact of demand management and alternative energy sources on those parts of the network that have a material effect on the operation of the electricity market. Such scenarios would guide its strategic planning of the National Grid.</p>
<p>In what specific ways might the NTP add value if its remit were wider than electricity transmission planning, and how material would this added value be?</p>	<p>It is believed that coordinating the planning of gas supply and transmission with the national electricity market could add considerable value to the strategic development of both resources.</p>
3.3.2 Network Augmentations or Wider	
<p>Whether the coverage of network assets for the NTNDP be limited to main grid augmentations, and if so, how should "main grid" be defined?</p>	<p>As outlined above, it is considered that the role of the NTP (and the extent of the NTDP) should be confined to the planning and coordination of those elements of the national grid where the market benefit (as defined in the current regulatory test) represents a material proportion of costs.</p>
<p>The appropriateness of applying a threshold test (\$ value or MW) to determining the coverage of network assets in the NTNDP? - -</p>	<p>It is inappropriate to apply a threshold in value to works covered by the plan, however it is important to define the extent of the system covered by the NTP as, to do otherwise would be to risk either duplication of effort or engender neglect and inadequate planning for assets at the boundary of responsibilities.</p>

Issues raised by AEMC	EnergyAustralia response
3.4 Other Issues relating to functions	
Whether the forecast period for the NTNDP should be longer than the minimum ten years?	<p>Long range planning is essential to identify the broad requirements of the network in terms of sites and routes and the potential alternatives.</p> <p>Scenario planning should be undertaken over a period of at least 20 years. It should be noted that in the case of the Ofgem planning project cited above a broad range of scenarios out to the year 2050 are contemplated. As outlined above, there will be a need for the NTP to carry out planning within two time horizons – a strategic long range plan and within the conventional 10 year horizon where specific projects are identified as nearing the time when approvals and detailed design needs to commence.</p>
Whether it is necessary to continue to publish the SOQ and APRs once the NTNDP is an established document	<p>EnergyAustralia envisages that the NTP should produce two planning documents, a long term strategic plan and a 10 year plan.</p> <p>The strategic plan should be reviewed each 3-5 years or when necessary if a change to the underlying assumptions occurs.</p> <p>The NTP would also prepare a 10 year plan which identifies where projects of national significance should proceed.</p> <p>NEMMCO's SOO would need to be consistent with the NTDP and logically should follow its publication.</p> <p>Likewise, the APRs prepared by the TNSPs cover a period of 10 years and have a more regional focus.</p>
If so, the appropriate content and publication date for all three document types and	Logically, the NTDP should precede the SOO and APRs by a suitable period. However, the initial development of a long range strategic plan should be expedited.
Whether over-time there would be benefit in combining some of these documents?	See comment above.
The relationships between the NTNDP and other planning documents.	See comment above.
Whether the NTNDP also contain research on issues relating to transmission network planning?	It may be appropriate for the NTP to carry out research on new technology and issues related to transmission planning but until such technology is developed to the point where it can realistically be deployed to influence network development, there is no point in this forming part of the NTNDP.
The possible options for additional involvement for the NTP with respect to the planning carried out by the JPBs.	Joint planning is presently carried out at a number of levels between NSPs, including at the interface between TNSPs and DNSPs. It will be important for the NTP to establish and maintain Joint

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	<p>Planning relationships with the TNSPs with which it interfaces, to coordinate activities of national significance.</p> <p>It remains important that local issues are addressed locally and that current joint planning continues at a local level between TNSP and DNSP</p>
<p>Whether making TNSP provide statements to explain any deviations from the National Plan would impinge on the TNSPs accountability and would be beneficial to market participants.</p>	<p>EnergyAustralia reiterates the context of long term planning which must by necessity be based on long term, high level analysis. It should used to complement more detailed short term investment planning by TSNPs. It should not be used to substitute or critique more detailed analysis at a localised or regionalised level.</p> <p>In the current ex-ante regulatory framework the TNSP has a very strong incentive to defer or reduce the level of capital expenditure relative to forecasts. This incentive may be further enhanced by the AER's Efficiency Benefits Sharing Scheme. The types of augmentations envisaged as forming part of a National Plan would provide benefits to all sectors of the industry.</p> <p>TNSPs are subject to Jurisdictional and Rule requirements concerning the security and reliability standards of their networks, and may need to be obliged in a similar way to develop their networks in accordance with the overall direction established in the National Plan. This could form part of the Regulatory test assessment process.</p>
<p>How should the current IRPC functions be incorporated into new national planning transmission arrangements?</p>	<p>The NTP would need to carry out the full range of functions currently set out in Section 5.6.3 of the NERs for the IRPC.</p>
<p>It is necessary and/or beneficial for the NTP to have advice from the state JPBs in exercising the IRPC functions, especially the technical work performed under the umbrella of the IRPC</p>	<p>It will be essential for the technical analysis undertaken by the NTP to be done in a cooperative manner with both the Jurisdictional Planners and NEMMCo, in much the same manner as the IRPC currently operates.</p>
<p>Should such functions as Co-ordination of Emergency response and Communication under the Responsible Officer Role; maintenance of Load Shedding Schedules and Sensitive Loads be transferred to the NTP?</p>	<p>It is not clear that transferring these responsibilities, which currently rest with NEMMCo and the TNSPs to the NTP would provide any advantage. To the contrary, they are aspects which are more strongly related to the operation, rather than the planning, of the network and are best left unchanged.</p>
<p>Are there other similar functions that could be transferred to the NTP?</p>	<p>None are identified.</p>
<p>Whether such additional functions as providing MCE advice, NCAS monitoring and procurement, responsibility of state load forecasts, monitoring of technical performance and use of generic constraint equations be assigned to the NTP?</p>	<p>It is clear that the NTP could, and should, be relied upon for advice related to its role as the National Planner.</p> <p>NCAS monitoring should be carried out inasmuch as the provision of ancillary services could potentially influence infrastructure development on a regional or national scale. However, the</p>

Issues raised by AEMC	EnergyAustralia response
	<p>procurement of NCAS should remain the province of NEMMCo in its role as system operator.</p> <p>The responsibility for state load forecasts should remain with the TNSPs, because of their close involvement with the DNSPs and their major customers. It is however appropriate for the NTP to aggregate and adjust those forecasts as necessary to form a consistent basis for the National Plan.</p> <p>The monitoring of some aspects of technical performance would be appropriate, again to the extent that these issues might affect a National Plan. However their specification should remain the province of NEMMCo and the NSPs and their compliance with the AER.</p> <p>Constraint equations are currently formulated and employed by NEMMCo to facilitate the market settlements. There seems no valid reason to alter the current arrangement.</p>
<p>4 <u>Project Assessment and Consultation Process</u></p>	
<p>4.1.3 <u>Framework for a new Regulatory Investment Test (RIT)</u></p>	
<p>The Commission seeks views on the proposed broad framework for developing a new RIT?</p>	<p>There has been a significant change to the Economic Regulatory regime for networks since the establishment of the original Regulatory Test. The adoption of an ex ante approach to the capex and Opex forecasts of all network businesses has made a fundamental change to the incentives of those businesses to engage in network expansion. This powerful incentive to minimise expenditure needs to be considered in a careful review of what the Test is designed to achieve. Moreover the service performance incentives and efficiency benefits sharing arrangements in place and proposed by the AER also change the rationale for having the Test.</p> <p>Arguably, DNSPs make much more extensive use of the current Regulatory Test (than TNSPs) and their needs and incentives must also be considered in any review of the applicability and function of the Test. Traditionally, reviews of the Test have focussed on its use within transmission networks for augmentations having a market impact and have neglected to adequately consider its use by DNSPs. The current consideration by the AEMC fits that mould.</p> <p>If a simplified Test is retained for DNSPs, it needs to be based on the “reliability” links of the existing test as marked benefits are invariably not material in distribution networks.</p> <p>Furthermore, elevation of the current threshold levels at which the test must be applied is urgently required to reduce the administration burden of a rapidly expanding number of projects. EnergyAustralia currently carries out 3-4 regulatory tests a month for the work on its network. In this</p>

³ Electricity Transmission Network Owners Forum “Regulatory Test Thresholds – rule Change Proposal - 21 November 2007

Issues raised by AEMC	EnergyAustralia response
	regard, the current proposal by ETNOF to elevate the test thresholds is strongly supported. ³
The Commission's observations on the desirable characteristics of an RIT?	From EnergyAustralia's perspective, the Commission's observations on the desirable characteristics of a Test lack an appreciation of the need to retain a simplified test for DNSPs, akin to the "reliability" links of the current test.
4.1.3.1 Scope of projects subject to the process	
Whether the scope of situations subject to the RIT should include network reconfigurations and replacement expenditure?	Comment has been requested on whether the RIT should include replacement /reconfiguration. This was previously addressed in EA's response to Stanwell. ⁴ EnergyAustralia is of the view that replacement works should be subject to least cost analysis but that the consultation elements of the Regulatory Test are not necessary and should not apply.
4.1.3.2 Identification and quantification of benefits	
Whether the RIT should mandate the types of impacts to be included in any project assessment;	<p>EnergyAustralia has commented above that the fundamental purpose of the RIT needs to be re-examined in the light of the dramatically changed regulatory incentives provided to NSPs by the ex-ante regulatory framework and efficiency benefit sharing arrangements.</p> <p>That said, the RIT should not mandate the types of impacts to be included in the project assessment. Rather, it should list the generic types of impacts that should be considered without limitation, and impose an obligation on the NSP to consider those that are expected to have a material impact on the assessment.</p> <p>In this connection, it should be noted that the principal users of the RIT are DNSPs and that the Test is used exclusively by them to meet jurisdictionally imposed licence requirements. The current "Reliability limb" or an equivalent streamlined process is necessary to facilitate the use of the RIT by DNSPs, and in many instances, by TNSPs.</p>
What are the approaches to valuing reliability benefits	<p>Reliability benefits do not need to be assessed where Jurisdictional or Rule requirements determine that network augmentation is required.</p> <p>Where reliability benefits are to be factored into investment analysis, an assessment of the quantum of unserved energy and the consequent cost to customers requires probabilistic planning and an assumption on the Value of Lost Load. There are significant uncertainties associated with this type of analysis, arising from assumptions concerning:</p>

⁴ EnergyAustralia "Transmission Network Replacement and Reconfiguration: Response to AEMC Draft Determination", December 2006

Issues raised by AEMC	EnergyAustralia response
	<ul style="list-style-type: none"> • the frequency and duration of equipment failure; • forecast load at risk; • the actual value to customers of non supply, which can be affected by outage history and well as customers' processes and preferences. <p>These uncertainties suggest that that where reliability benefits are to be valued, a scenario approach should be followed.</p>
What the list of mandated impacts should be, and whether in particular competition and risk management impacts should be included.	As noted above, it is not considered that there should be a mandated list of impacts. Nor should there be any exclusions, including the possibility of factoring into consideration costs and benefits which cannot readily be quantified.
What costs should be recognised and quantified?	<p>Those that are material to the outcome of the Test. EnergyAustralia has long advocated that the reliability limb must provide the TNSP/DNSP with the option to expand its considerations to include the incremental benefits and costs of alternatives. That is, an investment option should satisfy the Test, even if it is not the least cost option where:</p> <ul style="list-style-type: none"> • It meets the reliability requirement; and • Its incremental cost above that of the least cost option can be justified by the incremental benefits in addition to meeting the reliability requirement.
What benefits should be recognised and quantified?	As above.
How should the range of options for consideration be identified? ; and	As with the types of impacts, the types of options to be examined should not be mandated in the RIT. Rather, there should be a general obligation on NSPs to consider feasible network and non network alternatives. In the case of DNSPs this should be supplemented by appropriate regulatory incentives to consider non network alternatives, where the existing regulatory regime provides economic barriers to their adoption.
What should the decision-making rule be to determine which option passes the RIT?	EnergyAustralia is of the view that a simplified test is required for DNSPs and that this should simply involve least-cost analysis of the available network and non-network options which meet the required security and reliability criteria.
4.1.3.3 Avoiding wasted effort	
How, specifically, will a more comprehensive routine assessment of costs and benefits by TNSPs impact on planning timescales – and to what extent can this be addressed through the commitment of additional resources by TNSPs?	<p>The Regulatory Test as it is currently applied by DNSPs (using the “reliability” links) is already burdensome and problematic in the completion of projects which have short lead times.</p> <p>Unless a streamlined process is preserved for reliability related projects, the test threatens to</p>

Issues raised by AEMC	EnergyAustralia response
	become very unwieldy.
How should the concept of proportionality be reflected in how the RIT is applied?	The present concept of threshold levels for small and large projects provides adequate proportionality. However, the threshold levels are now too low and the test is capturing an unprecedented number of projects.
4.1.3.4 Inclusion of national market benefits	
Whether, the Commission is correct in its view that the existing text in the Rules determining the scope of 'national' benefits is sufficient for the purposes of the new RIT?	<p>The Rules specify in Section 5.6.5(b)(1) that the Regulatory Test must:</p> <p style="padding-left: 40px;">"maximise the net economic benefit to those who produce, consume and transport electricity in the market".</p> <p>This definition is unlikely to be sufficiently broad to cover, for example, the analysis of options which impact upon the gas transmission network. Furthermore, it may not properly encompass the value of externalities, such as may apply in the event that a carbon price is applied to the generation, consumption or loss of energy.</p>
If the current Rules remain, whether there would be benefit in expanding the operational guidelines on determining national benefits?	The rules would need to reflect the additional considerations above.
4.1.3.5 Range of Options to be considered	
What additional information should be released to support identification of options?	<p>EnergyAustralia reiterates the necessity for the Regulatory Test to have a separate or streamlined process for application to the large number of distribution related projects which need assessment.</p> <p>In relation to the application of the test to transmission augmentations, it would be appropriate for the options to be informed by the NTDP, where applicable.</p> <p>In relation to the TEC's proposal that Demand Management proposals be a key priority, the reality is that Demand Management currently is capable of deferring (rather than replacing) a small proportion of growth related capital projects at the distribution level. Whilst it is appropriate that such options be examined, it is very infrequently that they are a realistic alternative.</p>
What options must be included in the assessment?	
Whether the NTP should advise the TNSPs on the range of possible options to be assessed under the RIT?	

Issues raised by AEMC	EnergyAustralia response
4.1.3.6 Decision making Rule to determine which option passes the RIT	
Whether, and why, the valuation of reliability benefits is consistent with the practical application of a deterministic reliability standard framework?	The valuation of reliability benefits is not appropriate where investment is undertaken to meet specified reliability criteria such as Jurisdictional licence requirements. In these instances, least cost analysis should suffice. The tradeoffs inherent in imposing reliability criteria should be contemplated as part of the regulatory impact of the criteria when they are imposed.
Whether there is a need for a more specific decision criterion for the revised project assessment process?	
4.2 Interaction between National Transmission Planning Function and Regulatory Investment Test	
What value might the NTP add to the RIT process under each of the different broad options identified above?	<p>The NTP would add value to the RIT by putting forward a consistent approach by which market benefits would be assessed.</p> <p>There is however an issue with respect to the market benefits for DNSPs. The present reliability limb does not allow consideration of anything other than minimum service standards. Presently the only way of assessing a project which provides for more than the minimum std is to use the market benefits limb. This has been used by Citipower for example to assess there CBD security enhancement program</p>
What particular aspects of an RIT methodology might the NTP specify or recommend?	There needs to be a test which can consider both Distribution and Transmission within a single test framework, but which can be applied simply to distribution projects such as 11kV work. We do not want joint planning to be made more difficult, for example because EnergyAustralia and TransGrid cannot consider transmission and distribution within a single test or because the transmission and distribution test have different outcomes because they include different costs and benefits or consider different time periods eg losses, time frames etc.
How binding should the views or recommendations of the NTP be on the party with primary responsibility for undertaking the RIT?	The recommendation of the NTP concerning national network development needs to be adequately taken into account by TNSPs. TNSPs should be required, as part of the RIT, to propose augmentations which are consistent with, or a constituent part of, the national plan.
How might a 'compliance and monitoring role interact with the AER's role of monitoring and enforcing compliance with the Rules?	Compliance and monitoring of the application of the RIT should remain with the AER.
However it is not clear to the Commission if there is value in the NTP taking over the AER role in monitoring the application of regulatory tests.	If the NTP were to take over monitoring the application of the regulatory test, there would be a plethora of distribution related projects involved. It would not be appropriate for the NTP to be involved in monitoring the assessment of distribution projects.

Issues raised by AEMC	EnergyAustralia response
	Moreover, the AER has in recent determinations classified capital works proposed by TNSPs as contingent projects, and the RIT forms an integral part of the contingent approval process.
4.3 Last Resort Planning Power Function	
What is the purpose for the LRPP under the new arrangements;	The Last Resort Planning Power should no longer be required with the establishment of the NTP. It is considered that the intent of the LRPP was to ensure that “national” projects were progressed regardless of regional interests and the NTP has been set up to be able to carry out such a function.
Who should be responsible for the LRPP;	The current advisory role of the IRPC in informing the LRPP will still be required if that function is vested in the NTP. Joint Planning and consultation arrangements will be required to maintain that information channel.
The status of the advisory role of the IRPC to the LRPP; and	
Any other comments regarding the application of the LRPP under the new arrangements.	
4.4 Provision for Urgent and unforeseen Investment	
Why, specifically, different options for an RIT (and the role of the NTP in that process) might result in urgent or unforeseen investment being delayed?	EnergyAustralia does not consider that the establishment of the NTP and development of the NTDNP should cause delay to urgent or unforeseen investment. Investment would be carried out within the broad framework of the NTDNP and urgent connection work (such as the establishment of new major loads) would be carried out under the negotiation framework.
How would the RIT (and the role of the NTP in that process) need to be re-designed to assess the source of any such delay?	
4.5 Detailed design issues	
Is there a need for a proponent for reliability driven options; and	It is appropriate for the NSP that has imposed on it the reliability criteria (either as a licence requirement or some other form of obligation) to be the proponent of reliability driven augmentation.
What is the appropriateness of the RFI process to “reliability investments”	

Issues raised by AEMC	EnergyAustralia response
5. <u>Revenue and Pricing Framework</u>	
5.1 Simultaneous Reviews for TNSPs revenue determination	
<p>The costs and benefits of aligning the timing of TNSP revenue determination, in the context of different models for NTP functions and NTNDP content – and in the light of the considerations identified as relevant by the Commission?</p>	<p>EnergyAustralia does not see a benefit in aligning the regulatory resets of TNSPs. The resource implication of this proposal would be very significant, not just for the AER and TNSPs but throughout the industries that provide them with consulting support. ●</p>
<p>Whether, and why, the current (or amended) contingent projects mechanism represents an adequate alternative to the alignment of transmission revenue resets?</p>	<p>In recent AER determinations, the contingent project mechanism has been a significant feature. This is broadly supported as a means of mitigating the risk associated with projects where the timing or cost is uncertain.</p> <p>That said, EnergyAustralia's experience is that the contingent project approval mechanism needs to be reviewed with a view to enabling it to be streamlined and integrated with the NSPs capital governance processes.</p> <p>The contingent project mechanism would provide a suitable means of incorporating emerging national planning initiatives into TNSPs capital programs.</p>
5.2 National Transmission Planning Functions and the process of AER Revenue Determinations	
<p>How should the relationship between the AER and the NTP be defined?</p>	<p>It is appropriate for the AER to have regard to the NTNDP in carrying out its TNSP revenue determinations, and to seek the assistance of the NTP in interpreting where this is necessary.</p> <p>However, it seems inappropriate to constrain the AER from seeking and using independent advice, as it does in evaluating TNSP capital and operating forecasts as part of the determination process.</p>
<p>What should be the basis upon which advice is provided, and what should be the status of any such advice? How should this be specified in the Rules?</p>	<p>EnergyAustralia considers the greatest risk to the role of the NTP in the regulatory process is the inappropriate used of NTP analysis to act as a surrogate or critique of TNSP or DNSP forecasts at the local or regionalised level. Long term planning must be considered in context. The great risk is that the AER will over rely on the NTP on issues such as demand and consumption at a high level that this forecasting becomes the surrogate for more detailed forecasts provided by any individual DNSP or TNSP.</p>

Issues raised by AEMC	EnergyAustralia response
<p>What value will such arrangements add to the process of revenue determinations, and are they consistent with the COAG requirements in respect of process timescales?</p>	<p>Any value must be considered by the potential virtues of the NTP complementing the regulatory process and the potential difficulties if the NTP substitutes existing regulatory processes.</p> <p>Given the present ex-ante regulatory framework, considerable thought must be given to the interaction of the NTP with TNSPs, in particular under the present framework. Given the present cyclical nature of the regulatory framework, it would be unreasonable to expect a TNSP to adopt recommendations of the NTP, if those recommendations were un-funded because of the timing of those recommendations vis a vis the Regulatory cycle.</p> <p>Likewise it would be reasonable to expect the TNSP to check consistency with the NTP when justifying the appropriateness of projects within a TNSP's regulatory proposal.</p> <p>However there should not be too much reliance placed on the NTP. Individual TNSPs should be able to provide their own justification for investment over the regulatory period based on its more detailed analysis of drivers relevant to its network. The TNSP (and the AER for that matter) should not be reliant on the NTP to drive capital investment decisions.</p>
<p>5.3 Consequential changes to Chapter 6A Rules</p>	
<p>Whether the implementation of the new arrangements will require any consequential amendments to Chapter 6A of the Rules?</p>	<p>Chapter 6A will need to set out the obligations which apply to the AER and TNSPs to take into account the NTNDP in their capex programs.</p>
<p>5.4 Inter Regional Charging Arrangements</p>	
<p>Whether the current arrangements for inter-regional transfers between TNSPs are sufficient to support the co-ordinated development of a national grid?</p>	<p>The transmission pricing arrangements developed over a decade ago were always intended to be applied on the basis of a single network, which implied that there would be inter-jurisdiction cash flows associated with network usage.</p> <p>This should be still the preferred position and the advent of greater levels of interconnection will make the deficiencies of a jurisdictional based pricing regime more apparent.</p> <p>A complete review of transmission network pricing arrangements is appropriate.</p>
<p>What would be the best approach to implementing a more formal inter-regional charging mechanism?</p>	
<p>6. Governance Arrangements</p>	
<p>6.4.3.1 Form/composition</p>	
<p>What is an appropriate form and composition for the NTP to carry out its functions; and</p>	<p>EnergyAustralia is of the view that the NTP should be a part of AEMO, because of the strong synergies that exist between the information used in market operation and that necessary to plan</p>

Issues raised by AEMC	EnergyAustralia response
How board/committee/panel members and office holders should be appointed and for how long.	<p>the interconnected network.</p> <p>However, depending upon the range of responsibilities that are defined for the NTP, it may be appropriate for a level of separation to be established from AEMO, possibly to the extent of a separate Board, as exists with the AER.</p> <p>The MOWG recommendations on the constitution of the AEMO Board seem appropriate and similar arrangements for a separate NTP Board, if necessary, should apply.</p>
6.4.3.2 Independence	
The level of independence required for the NTP to carry out its functions.	<p>The AEMC has outlined the reasons that NTP needs to preserve a level of independence from all industry participants: AEMO, TNSPs, Generators. However, it cannot carry out its functions without a degree of familiarity with all aspects of the supply chain and therefore the NTP Board should have a representative of each sector.</p> <p>The NTP Board should also include at least one representative of the customer base.</p>
What are the appropriate forms of accountability for the development of the NTNDP?	<p>It would not be appropriate for the NTP to be accountable to AEMO, as the market operator is but one of the industry participants. Thus, the NTP should be accountable to the MCE and its high level functions and accountabilities established in the NEL.</p> <p>Consistent with the governance structures now established, the Rules should set out the more detailed requirements concerning the specific responsibilities of the NTP and the timing of the reviews it should undertake.</p> <p>Essentially, the NTP will establish plans for the interconnected network through the NTNDP. It is considered important, given the divergence of possible views on planning matters, that the work of the NTP be subject to merits review.</p>
6.4.3.4 Relationship / context with other organizations	
What should be the consultation arrangements between the relevant stakeholders and the NTP? Should these consultation arrangements be documented in the NER or another instrument?	<p>EnergyAustralia echoes the concerns of ETNOF and NEMMCO that appropriate consultation arrangements including joint planning with TNSPs, be made a principal responsibility of the NTP.</p> <p>It would be appropriate for such arrangements to be set out in the NER.</p>
6.5 Funding	
Should the NTP have a separate budget and accounting requirement?	<p>Whilst the NTP is expected to have a level of independence from AEMO, it would be appropriate for its funding to be on a similar basis, from market participants.</p>
As the contemplated NTP functions deal with electricity transmission only, should gas market participants also contribute to the NTP's costs?	<p>EnergyAustralia supports the integration of gas transmission planning within the NTP activities and</p>

Issues raised by AEMC	EnergyAustralia response
	(probably minor) proportions of its funding should be by gas market participants.
7. <u>Implementation and Transition Issues</u>	
7.1 Enabling Powers for NTP	
The appropriate balance between the NEL and NER for defining the NTP's role and functions; and	As outlined above, a two tiered approach to defining the NTP responsibilities and functions is preferred, with high level accountabilities set out in the NER. EnergyAustralia supports NEMMCO's view that the NER should set out detailed responsibilities of the NTP. It is appropriate that there be flexibility to accommodate changes to those requirements as the planning process develops and matures.
Should the NTP functions be subject to the Rule Change Process?	
Whether, and if so how and where, should the information requirements of the NTP be defined?	
What, if any, powers should the NTP have to request or require information? And what obligations should parties have in respect of any such requests or requirements? Where should these rights and obligations be defined?	
What should the relationship be between information held by AEMO and information available for use by the NTP?	
7.1.2 First Publication Date for NTNDP	
What is the appropriate first publication date for NTNDP; and	The NTP will need to acquire and develop resources and systems in order to publish soundly based plans. Clearly, an interim arrangement involving the continuation of the IRPC in its current role will be necessary with a progressive handover as the NTP capabilities is developed. There will need to be some flexibility in the timing of this handover, which should be established once the NTP has had the opportunity to scope the magnitude of its task. It will be necessary and appropriate for the SOO, ANTS and APRs to be published in 2009 and possibly in later years. NEMMCO's suggestion of a "soft start" for the first NTP is likely to be appropriate, as responsibilities are progressively handed over. However the plan should be developed with (to the extent possible) the consultation process with industry sectors in place.
The appropriate approach to developing the first NTNDP and What level of industry consultation should be allowed.	
Should the NTP have the ability under the Rules to establish advisory panels? And what should the status/transparency of such panels be?	
7.2 Transition Issues	

Issues raised by AEMC	EnergyAustralia response
What are the main reasons why a 'hard' cut-over to the new arrangements might not be feasible, or otherwise appropriate?	As noted above, resources and systems will be required by the NTP and thus a hard cutover is not likely to be appropriate and may not be feasible.
What specific transitional measures might be required to resolve any such difficulties with a 'hard' cut-over to the new arrangements?	Specific transitional arrangements should include the continuation of the IRPC and involvement of both NEMMCO and TNSPs in developing plans until such time as the NTP is capable of assuming full responsibility.
What are the reasons why transition from the current Regulatory Test to a new Regulatory Investment Test might require explicit management?	<p>In other sections of this report, EnergyAustralia has outlined its specific requirements for the RIT to be readily usable by DNSPs and TNSPs to evaluate current "reliability links" investments.</p> <p>A transition plan to the new RIT should take account of the period required to develop new documentation and incorporate it into the business' capital governance frameworks. It should also make provision for a cutover as projects that have commenced are finalised under the former arrangements.</p>
8. Illustrative models for a National Transmission Planner	
The Commission would welcome submissions in respect of these illustrative models, and any relevant variants or alternatives (including hybrids formed of different aspects of the illustrative models), with reference to the criteria discussed in Chapter 1	<p>EnergyAustralia is of the view that there is a clear need for the NTP to carry out planning with two timeframes, a long term strategic plan and a shorter term (10 year) plan focused on more immediate investment requirements.</p> <p>Therefore, the capability to carry out Model 1 planning arrangements should be developed, covering a period of at least 20 years. However, the Model 1 governance structure should not apply.</p> <p>With regard to the shorter term planning obligations, Model 3 combines the majority of the features EnergyAustralia believes are desirable, including:</p> <ul style="list-style-type: none"> • The consideration of gas supply and transmission issues; • Capability to act for TNSPs that request it to evaluate planning options and carry out the RIT; • Capability to develop common planning methods and coordinate inter-regional development; and • Sufficient independence from NEMO in the governance of the NTP.