AER Submission

National Transmission Planning Arrangements

Response to AEMC Issues Paper

21 December 2007

1. Introduction

The Australian Energy Regulator (AER) welcomes the opportunity to respond to the AEMC's issues paper for the implementation of new national transmission planning arrangements.

Effective electricity transmission planning arrangements are important in fostering the National Electricity Market (NEM) objective and the objectives for economic regulation of transmission services set out in Chapter 6A of the National Electricity Rules (NER). The AER considers there are significant weaknesses in the current arrangements and is keen to see the establishment of improved arrangements for national transmission planning. These improvements have the potential to significantly enhance the efficiency of the NEM and thereby further the NEM objective.

The AER's submission on the AEMC's scoping paper proposed a framework for transmission planning arrangements in the NEM. It argued that the national transmission network development plan (NTNDP) should act as an *overarching national plan*, with planning and consultation processes conducted by TNSPs for the assessment of individual projects. The NTNDP would be an input considered by TNSPs in their planning processes but, consistent with the COAG decision, would not bind transmission companies to investment decisions contemplated in the NTNDP.

The submission also noted that to be successful, the following features of the planning framework were critical:

- The *NTNDP needs to be sufficiently detailed* to allow the assessment of the merits of individual projects by the TNSPs
- The *coverage of the NTNDP needs to be comprehensive*, covering intra-regional projects as well as interconnectors (particularly where projects have an impact on inter-regional flows)
- The *national planner needs to be independent* of individual network and generation interests

Comments on the specific questions in the issues paper should be considered in the context of this transmission planning framework favoured by the AER.

The AEMC's issues paper provides a comprehensive review of the issues surrounding the implementation of national transmission planning arrangements. The issues paper has also provided further direction to the review in other areas. Notably, the issues paper notes the lack of support for the proposal to align transmission revenue resets.

Section 2 of this submission addresses four main areas of the issues paper, namely:

- the scope of the national planning function and the kind of information and level of detail appropriate to the NTNDP
- the relationship between AER and national planner

- the development of governance arrangements for the national planner
- the establishment of a regulatory investment test (RIT) based on integrated limbs of the regulatory test

Section 3 of this submission provides responses to specific questions raised in the issues paper about the scope of the national planning function and the establishment of a RIT.

2. Key issues

2.1 National transmission network development plan

2.1.1 National and regional planning

The issues paper argues that a key issue that needs to be resolved is the appropriate boundary between national planning and regional planning:

> *This distinction between 'national' and 'regional' planning provides clear guidance that the NTNDP will not cover all transmission planning issues, but rather a sub-set of planning issues relating to elements of the network which have national significance. Hence this requires a boundary between national and regional planning to be clearly defined for the new planning arrangements.*[1]

The AER agrees with the AEMC that the COAG decision makes it clear that the NTNDP will not cover all transmission planning in the NEM. But it is less clear that this implies a distinction between national planning and regional planning, with no overlap between the two. The COAG decision states that the national transmission planning arrangements:

> *… are intended to assist transmission companies, when undertaking planning and putting forward their revenue proposals to the AER, to demonstrate that projects are aligned with the NTNDP*.[2]

This contemplates the NTNDP acting as an overarching national plan with planning and consultation then conducted by the TNSPs for the assessment of individual projects. It does not suggest that the NTNDP and regional TNSP planning will cover completely different sets of projects.

Similarly, the COAG decision notes that:

> *The NTNDP will provide information to the market on the longer term efficient development of the power system in order to guide network investment decisions…*[3]

This once again implies that the NTNDP is an overarching national plan which is an input considered by TNSPs in their planning process.

The COAG decision means that the AEMC does not need to prescribe what constitutes national planning and what constitutes regional planning.

This should greatly assist the AEMC's review as the discussion in the issues paper suggests that developing a 'bright line test' may be extremely difficult to achieve. The closest available at present is the definition of national transmission flow path

[1] AEMC (2007) *National Transmission Planning Arrangements Issues Paper*, November 2007, p 19
[2] COAG (2007) *COAG National Reform Agenda – Competition Reform April 2007*, p 4
[3] COAG (2007) *COAG National Reform Agenda – Competition Reform April 2007*, p 4

(NTFP). As highlighted by the AEMC, the NTFP requires a degree of subjective interpretation and it is questionable as to whether it is amenable to objective application in clearly defining the scope of the NTP's functions.

A further limitation of prescriptive definitions is that they are static. As highlighted by the AEMC, investment in one part of the network may only have localised impacts on power flows at the time that they are developed, but subsequent developments might change this. Transmission flowpaths and constraints are dynamic and may simply not be amenable to being prescriptively described in a way that does not cause unintended consequences. To the extent there are any unintended consequences, these would need to be addressed by amending the National Electricity Rules (NER), with the associated process requirements.

The AER considers that seeking to find a boundary between 'national' and 'regional' planning is inconsistent with COAG's decision. Further, any attempt to prescribe such a boundary will compromise effective planning outcomes.

2.1.2 Principles to guide the national planner

While it is not appropriate or necessary to develop a 'bright line test' for determining the functions of the national planner, boundaries need to be developed to guide the work of the national planner. A framework which the AEMC may wish to consider involves specifying principles to guide the work of the national planner in the NER.

The model adopted in South Australia to guide the work of the Electricity Supply Industry Planning Council (ESIPC) may be instructive in this regard. The functions of ESIPC are outlined section 6E of the *Electricity Act 1996* (SA), which is reproduced in Box 1. The South Australian experience suggests that the use of a principles-based approach appears to be providing sufficient direction to ESIPC to effectively carry out its functions.

Another advantage of a principles-based approach is that it appears to involve fewer implementation issues. For example, if the national planner was asked to consider significant projects in a manner similar to ESIPC, what constitutes a "significant project" could emerge from practical experience over time.

That leaves the question of what the principles should be. The South Australian arrangements provide useful guidance, in particular clauses 6E(1)(a) to (d) and (f) (see Box 1). The COAG decision requires the national planner to consider the broad development of the power system, including the capability of the national transmission network. There is significant merit in specifying that the role of the national planner is to consider proposals for significant projects relating to the NEM transmission network in a manner similar to clause 6E(1)(d) of the South Australian legislation.

The principles in the South Australian legislation could be modified to better reflect the requirements of the NEM and NEL. For example, there is merit in any principles reflecting the NEM objective's reference to the 'long term interests of consumers of electricity.' This could be framed to provide overall direction to the national planner in a manner similar to the NEM objective.

Box 1: ESIPC planning functions

6E—Functions of Electricity Supply Industry Planning Council

(1) The Planning Council has the following functions:

(a) to develop overall electricity load forecasts in consultation with participants in the electricity supply industry and report the forecasts to the Minister and the Commission;

(b) to review and report to the Minister and the Commission on the performance of the South Australian power system;

(c) to advise the Minister and the Commission on matters relating to the future capacity and reliability of the South Australian power system;

(d) to prepare or review proposals for significant projects relating to the transmission network in South Australia (taking into account possible alternatives to those projects such as the augmentation or extension of a distribution network, the construction or augmentation of the capacity of a generating plant and measures for reducing demand for electricity from the transmission network) and to make reports and recommendations to the Minister and the Commission in relation to such proposals;

(e) to advise the Minister and the Commission, either on its own initiative or at the request of the Minister or the Commission, on other electricity supply industry and market policy matters;

(f) to submit to the Minister and the Commission, and publish, an annual review of the performance, future capacity and reliability of the South Australian power system;

(g) if the Planning Council is appointed under the National Electricity Rules as the body to carry out certain functions—to carry out those functions;

(h) to publish from time to time such information relating to the matters referred to above as the Planning Council considers appropriate;

(i) to perform any other function prescribed by regulation or assigned by or under any other Act.

Further, the reference in clause 6E(1)(d) to significant transmission projects (or alternatives to those projects) may not fully capture all initiatives which should be considered by the national planner. While the national planner should consider distribution, generation and demand side options, the principles should also allow the national planner to consider any opportunities for improved network management. The AER's submission to the ERIG review highlighted that an efficient transmission system is not simply a function of investment levels.

2.1.3 Level of detail in the national plan

The issues paper notes that a key issue in the review concerns how specific and detailed the NTNDP should be. The AER agrees with the AEMC that to meet the requirements of the MCE direction the NTNDP must be more detailed than the ANTS. However, as acknowledged by the AEMC there is a broad spectrum of planning arrangements that could be consistent with this direction.

In its initial submission, the AER argued that the NTNDP needs to be sufficiently detailed to allow an understanding of the drivers for network investment and the assessment of the merits of individual augmentation project options proposed by TNSPs. To achieve this, the NTNDP needs to identify and assess the merits of specific detailed projects. This would require system modelling by the national planner. It would need to involve the development of overall electricity load forecasts and the costing of various project options.

Without providing this level of detail, it is difficult to see how the NTNDP can provide an improved framework for efficient network development in the NEM.

2.1.4 Scope of the national plan

The issues paper questions whether the scope of the NTNDP should be restricted to electricity transmission. As noted in section 2.1.2, the national planner needs to also assess alternatives to transmission, which may include generation, distribution or demand side options. Therefore, the role of the national planner must be broader than electricity transmission.

2.1.5 Information powers

The above discussion has highlighted the importance of a comprehensive, detailed and independent national plan. The success of this arrangement, however, will depend on the national transmission planner's ability to obtain the information needed to support its planning assessments. The NER should be amended to give the national planner powers to obtain information from TNSPs, generators and other relevant parties as needed to support the planner's functions.

2.2 Link between the national planner and the AER

The issues paper poses a number of questions on what the relationship between the transmission planner and the AER should be and questions what value national planning will add to the AER's revenue determination process.

As part of a revenue reset process the AER reviews the transmission plans prepared by the TNSPs as well as their consistency with plans developed by other bodies where relevant. There are significant shortcomings in these arrangements. As highlighted by ERIG there is a conflict of interest between the TNSPs' planning obligations and their commercial interests as asset owners. There is also a significant information asymmetry between the TNSPs and the AER. The AER is not (and should not be) a transmission planner. While the AER engages consultants to advise it, there are

significant limitations in this approach since, inherently, the consultants are limited in their resources and detailed knowledge.

An independent NTNDP would help address these shortcomings. The NTNDP would act as an overarching national plan, with the current planning and consultation processes then conducted by TNSPs for the assessment of individual projects. The NTNDP would be an input considered by TNSPs in their planning process. COAG made it clear that the model should not bind transmission companies to investment decisions contemplated in the NTNDP.

This arrangement would greatly assist the AER in undertaking its regulatory roles. In respect of projects assessed as part of the NTNDP, the AER could largely focus on setting benchmark capital expenditure allowances by assessing the consistency between TNSP proposals and the NTNDP, and the efficiency of the costing of the proposals.

To the extent that TNSPs put forward proposals in their submissions that are different to the NTNDP, the AER would need to assess the merits of the TNSP's proposal in a manner similar to the current revenue setting process. However, the availability of an independent national plan would, compared to the existing arrangements, be an invaluable input to this assessment process.

The transmission planning undertaken by ESIPC and VENCorp has substantially assisted the AER in setting efficient capital expenditure targets in its ElectraNet and SP AusNet resets. In turn this has assisted the AER meet the NEM objective.

To the extent that projects are outside the scope of the NTNDP, such as more localised projects that did not have a major impact on national transmission power flows, the AER would assess these projects as it does now.

The issues paper appears concerned about delays in considering projects if the national planner first provides an overarching national plan and then the TNSPs undertake planning and consultation of projects contemplated in the national plan. The relationship between the NTNDP and TNSPs planning processes must be structured so there are no additional delays compared to the current arrangements. Timeframes for the release of the NTNDP would need to be structured to give TNSPs adequate opportunity to take the NTNDP into account in undertaking their own planning and putting together their revenue proposals.

2.3 Governance arrangements

The AEMC issues paper raises a number of governance issues for consideration including whether the NTP should be part of the Australian Energy Market Operator (AEMO).

The AER's submission on the scoping paper noted that the main principles for governance of the national planner should be independence, accountability and appropriate quality controls. In particular the submission argued:

- The national planner board should be predominantly independent of the commercial interests of any one sector or business, including the interests of TNSPs and generators.

- The board should comprise members with appropriate experience and expertise.

- The national planner should consult closely with governments, the AER and stakeholders on the details of information that should be published from time to time.

- It should adopt formal consultation arrangements where governments, the AER and stakeholders are consulted on the collection and publication of information.

- The board should develop proposals and consult on how its performance should be assessed.

There are considerable synergies between planning and the other functions that will be undertaken by AEMO. Forecasts of demand and supply requirements in the statement of opportunities and the detailed knowledge operational staff have of the impact of network constraints are useful and necessary inputs into effective transmission planning. These synergies are best captured if the national planner is part of AEMO with a single board.

The AER notes that the Ministerial Council on Energy's Market Operator Working Group (MOWG) is separately considering the governance arrangements for the AEMO. It appears that this review is progressing on the basis that the AEMO will be the national planner. The AEMC is encouraged to consider the implications of the MOWG's work for this review.

2.4 Regulatory investment test (RIT)

Following a lack of stakeholder support for the adoption of a simple least-cost analysis for the RIT, the AEMC has narrowed the form of the RIT to two options:

- Option 1: a full cost benefit analysis to find the option which maximises the net present value (NPV) of market benefits and

- Option 3: a hybrid of a least cost assessment and full cost benefit analysis which limits its scope to include only options which deliver compliance with the relevant reliability standards, and only quantifies benefits if they are likely to be material – but applies the same 'maximum present value of net benefits' rule to identify the best option.

The AER noted in its previous submission that option 1 would provide greater rigour to efficient project selection and enhance transparency around reliability requirements through valuing reliability benefits. However the AER understands that the difficulties in valuing reliability benefits mean that this option may be difficult to implement in jurisdictions which use a deterministic planning standard.

The issues paper seems to support option 3 as the best approach. The AER supports the AEMC's assumptions that:

- there should be more, rather than less, types of costs and benefits to be included within the RIT.
- the range of costs and benefits should be consistently applied
- any 'rule of thumb' to keep required analysis to 'material' costs and benefits to minimise wasted effort should be objective and transparent.

However, the AER considers there is no practical way to ensure that only 'material' cost/benefits are quantified and assessed under option 3. The current regulatory test does not contain a 'material' hurdle for the determination of costs and benefits because, as the AEMC notes, it is impossible to determine which types of costs or benefits should be ruled out as immaterial without first measuring them. The pragmatic solution to minimise wasted effort is to simply require all 'relevant' costs and benefits be factored into the analysis but qualify that by requiring the analysis to be proportionate to the size and scale of the proposed investment. For example, a single transmission line upgrade valued at $12 million would generally create less impacts than the construction of a $100 million interconnector in a congested region, and therefore require less assessment of market benefits.

The AER supports the RIT mandating the types of impacts to be included in a project assessment. The AER recommends that given stakeholders' familiarity and experience in applying the regulatory test, the list of costs and benefits in the RIT should be based on those in the regulatory test, with the addition of risk management costs/benefits as contemplated by the AEMC in the issues paper. The regulatory test currently already provides for the consideration of competition benefits as a market benefit but it is at the discretion of the project proponent as to whether consideration of competition benefits is warranted.

Safeguards should be included in the RIT so that *all relevant market costs*, for example generation costs, are required in any assessment that involves cost-benefit analysis and not just benefits. Otherwise, the integrated limbs of the regulatory test will be open to gaming, and NSPs will be tempted to cherry-pick only the costs and benefits which assist in validating their proposed projects.

The issue of accommodating *national benefits* in the analysis could be addressed by requiring TNSPs to broaden their consideration of market benefits beyond their immediate NEM region. The regulatory test already specifies that market benefits are those that accrue to producers, consumers and transporters of electricity across the whole NEM. This should therefore cover the notion of an assessment in a national context. The AER suggests as the NTP builds its experience and expertise, it would be best placed to provide advice on how a proposed investment would impact the wider transmission grid.

The AER's responses to specific questions posed in the issues paper are set out in Section 3 of this submission.

3. Responses to individual questions

3.1 National transmission network development plan

Issues paper	Question	AER Response
3.1.2	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?	The COAG decision clearly contemplates the NTNDP acting as an overarching national plan, with planning and consultation processes conducted by TNSPs for the assessment of individual projects. As discussed in the AER's submission the NTNDP should cover the whole of the network and should provide an assessment of specific projects.
	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?	There should not be an attempt to prescribe 'national' planning issues. One reason is that developing a static delineation of 'national' from 'regional' may not be possible give the dynamic nature of transmission flowpaths and constraints. Attempting to limit NTP scope to planning issues to constraints which materially affect interconnector flows is very narrow and would compromise planning outcomes. Similarly the definition would not appear to reflect the dynamic nature of network constraints and appears to be unworkable.
	Whether the current definition of National Transmission Flow Paths should be used in defining the scope of the NTP functions?	As highlighted by the AEMC, the definition of National Transmission Flow Paths requires a degree of subjective interpretation and therefore cannot be used to clearly define the scope of the NTP's functions.
	What other practical options exist for clearly and unambiguously defining the scope of planning issues within the scope of the NTP.	There no options for 'clearly and unambiguously' defining what constitutes national planning as against regional planning. Therefore the AEMC should not attempt to draw a boundary between 'national planning' and regional planning. Any attempt to do so also misrepresents the COAG decision. Instead the NER should specify principles to guide the work of the

		national planner. The model developed to guide the work of ESIPC may be instructive in this regard. An alternative approach is to establish a materiality threshold, in other words to require the planner to consider all transmission issues which are material to flows on transmission networks or to reliability of the network
3.2.2	What level of detail should the NTNDP include in relation to options for, or solutions to, planning issues within its scope?	The NTNDP needs to identify and assess the merits of specific detailed projects. This requires system modelling by the national planner, involving the development of overall electricity load forecasts and the costing of various project options.
	In what specific ways might the NTP add value through greater involvement in the planning process, and how material would this added value be?	Successive reviews have highlighted two major weaknesses of current transmission planning arrangements in the NEM. First, most TNSPs have a conflict of interest between the TNSPs' planning obligations and their commercial interest as asset owners. Second, these current arrangements promote an intra-regional focus of TNSPs, with planning focused on state rather than national outcomes. These reviews have clearly established that there is a problem with the current transmission planning arrangements. ERIG, for example, considered that this problem was significant – it has led to reduced efficiency and competition in the NEM. These reviews have also highlighted the benefits of a national transmission planner in addressing these issues. The Parer Review, for example, noted that a "NEM-wide and independent planning process is required to ensure that appropriate network development opportunities are efficiently developed."[4]

[4] Council of Australian Governments Energy Market Review (2002) *Towards a truly national and efficient energy market*, December 2002, p.134

3.3.1.2	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? 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? 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?	The NTP needs to identify and assess the merits of specific detailed projects. To the extent that generation, demand side management or distribution are possible alternatives to transmission options, these will need to be considered in the national plan. The NTP should be directed to consider these options in a manner similar to the direction given to ESIPC under South Australian legislation.
3.3.2.2	Whether the coverage of network assets for the NTNDP be limited to main grid augmentations, and if so, how should "main grid" be defined? The appropriateness of applying a threshold test ($ value or MW) to determining the coverage of network assets in the NTNDP?	The planner is best placed to determine which projects are material to flows on transmission networks or to reliability of the network. The planner should be given discretion to apply a materiality threshold. Specifying a $ value may not be useful in practice for two reasons. First the $ value does not necessarily reflect the impact of the investment on the network. Small investments may have a material impact. The planner is best placed to determine materiality on a case by case basis. Second, there are practical difficulties in defining the scope of a project. For example, a transformer upgrade could be defined as a project as could broader substation works.

3.2 Revised project assessment and consultation process

Issues paper	**Question**	**AER Response**
4.1.3	What should the scope of projects subject to the process be? Should the scope of situations subject to the RIT include network reconfigurations and replacement	As is the case with regulatory test assessments, all projects estimated to cost over $10 million should be assessed through the RIT. A reconfiguration that changes the capacity of the transmission network should be assessed. Currently, if a

	expenditure?	project is a mixture of replacement and augmentation, the AER would expect a regulatory test be conducted if the project includes an augmentation element valued over $10 million. However, once the NTP is established, it would be more appropriate for the national planner to form a view on this given its understanding of the network and relevant projects.
	What costs and benefits should be recognised and quantified?	All the costs and benefits set out in the current regulatory test should be recognised and quantified, plus reliability benefits (based on VCR).
	How should the range of options for consideration be identified?	The range of options for consideration should be identified by the TNSP at first instance, and where the project looks likely to be significant to the national network, through an RFI process similar to that which exists in the regulatory test.
	What should the decision-making rule be to determine which option passes the RIT? Whether there is a need for a more specific decision criterion for the revised project assessment process?	To pass the RIT the option should have a positive net present value and maximise the net present value of the market benefit- in a majority of reasonable scenarios. If it is a reliability driven investment continuation of the least cost rule may be appropriate given the higher costs of a full-cost benefit assessment. In terms of a more specific decision making criteria, the AER is supportive of using a cost benefit ratio rather than a simple NPV comparison. However, the AER considers that where different options generate the same cost-benefit ratio, it should be the option that provides the best cost-benefit ratio in the most reasonable scenarios.
4.1.3.2	Whether the RIT should mandate the types of impacts to be included in any project assessment. What a list of mandated impacts should be, and whether in particular competition and risk management impacts should be included.	The RIT should mandate the types of impacts to be included a project assessment. The list should be based on those in the regulatory test, with the addition of risk management costs/benefits. The regulatory test currently already provides for the consideration of competition benefits as a market benefit.

	Approaches to valuing reliability benefits	Reliability benefits based on current market customers' willingness to pay for various levels of reliability are a sound basis for valuing reliability benefits.
4.1.3.3	How should the concept of proportionality be reflected in how the RIT is applied?	Continuing the use of a threshold value on projects that require assessment will assist in proportionality. Requiring the level of analysis be proportionate to the size and scale of the project (as the regulatory test currently does) will also assist. This applies to sensitivity analysis in particular.
4.1.3.4	Whether, the existing text in the Rules determining the scope of 'national' benefits is sufficient for the purposes of the new RIT?	The AER assumes the 'existing text in the Rules' is the definition of market benefits under the regulatory test. This currently acknowledges the national nature of benefits in that it includes all benefits (or negative costs) that accrue within the NEM. This is sufficient for the purposes of the RIT. It would be problematic to consider externalities in the option analysis in an effort to acknowledge a wider range of benefits. This could compromise the effectiveness of the test.
	If the current Rules remain, whether there would be benefit in expanding the operational guidelines on determining national benefits?	There could be benefit in expanding upon the possible benefits that currently exist in the regulatory test to specify benefits that are national (or broadly benefit the whole market as opposed to specific sectors/players) in nature.
4.1.3.5	What additional information should be released to support identification of options? What options must be included in the assessment?	The current information provided as part of the annual planning report and regulatory test analysis process should continue to be provided and used to identify options. The current information requirements in the regulatory test version 3 in relation to an RFI notice should also continue to be required from TNSPs to allow for viable alternative options to be proposed. The options to be included in an assessment should be the same as those identified in the regulatory test version 3 namely genuine and practicable options.

	Whether the NTP should advise the TNSPs on the range of possible options to be assessed under the RIT.	It would be useful for the NTP to advise on options to be assessed under the RIT. However, this should not be a substitute for a rigorous assessment of the options by the TNSP.
4.1.3.6	Whether, and why, the valuation of reliability benefits is consistent with the practical application of a deterministic reliability standard framework?	It is difficult to see how a value like VCR could be calculated in a deterministic planning environment, which is based on minimum redundancies rather than the customer's willingness to pay for a particular level of reliability.
4.2.3	Four submitted options on the interaction between the RIT and the NTP: 1. Lead a process of co-ordinating and disseminating information on good practice in undertaking the RIT; 2. Recommend or specify certain elements of a methodology to be applied in undertaking the RIT; 3. Ensure compliance with how the RIT is applied; or 4. Take primary responsibility for undertaking the RIT in certain circumstances. What value might the NTP add to the RIT process under each of the different broad options identified above?	The AER considers a combination of: 1. Lead a process of co-ordinating and disseminating information on good practice in undertaking the RIT; 2. Recommend or specify certain elements of a methodology to be applied in undertaking the RIT; would be most appropriate. The NTP would also be expected to apply the RIT in circumstances where it is determining the best options for projects in the NTNDP.
	What particular aspects of an RIT methodology might the NTP specify or recommend?	Possible aspects include: ▪ assumptions for developing reasonable scenarios ▪ best-practice modelling of market bidding and dispatch
	How binding should the views or recommendations of the NTP be on the party with primary responsibility for undertaking the RIT?	COAG has made it clear that the planning recommendations of the NTP will not be binding on TNSPs and that it cannot direct investment. As such, TNSPs remain responsible for investment decisions.
	How might a 'compliance and monitoring role interact with the AER's role of monitoring and enforcing compliance with the Rules? However it is not clear to the Commission if there is value in the NTP taking over the AER role	Currently, the AER only reviews regulatory test analyses in the context of a revenue reset (or potentially resolving a regulatory test dispute). It does not actively monitor individual regulatory test processes on a day to day basis. As the national planner will

	in monitoring the application of regulatory tests.	need to be aware of developments in the NEM, and will have experience in applying the RIT, it would be most appropriate for the NTP to monitor the use of the RIT. The AER does not see a conflict in these two distinct compliance tasks.
4.4.3	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? How would the RIT (and the role of the NTP in that process) need to be redesigned to assess the source of any such delay?	Good planning means most investment projects will be foreseen with reasonable lead times. As such, the AER sees no need to build variations into the RIT criteria or standard of planning to accommodate unforeseen investment. Further establishing different criteria for unforseen projects creates moral hazard and gaming potential. The AER reiterates that the contingent project mechanism built into revenue resets accommodates large uncertain investments.
4.5.2	Need for a proponent for reliability driven options; and	The AER is not opposed to the idea of continuing to require a proponent for any alternative option to a reliability-driven investment as the current regulatory test requires.
	Appropriateness of the RFI process to “reliability investments”	The RFI process is about identifying options, not about the kind of investment being undertaken. It should not merely apply to what are now termed market benefits assessments. Some projects driven by reliability requirements have valid non-network options which may come to light through the seeking of alternative proposals. It would be more appropriate to base an obligation to undertake an RFI process on the size and scale of the project than the type of project.