

10 October 2017

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Dear John

Discussion paper: 2017 Energy Sector Strategic Priorities

We welcome the opportunity to make this submission on the Commission's discussion paper for its 2017 Energy Sector Strategic Priorities review.

AusNet Services owns and operates the Victorian electricity transmission network, one of five electricity distribution businesses and one of three gas distribution businesses. As well as the network businesses, AusNet Services Commercial Energy Services business provides metering, asset intelligence and telecommunication solutions to the utility and infrastructure sectors.

We note that COAG Energy Council has asked the Commission to provide targeted strategic advice to inform the Energy Council's energy market and strategy and priority setting¹. The discussion paper forms the basis of this advice. We also note the linkages identified in the discussion paper to the Finkel Panel 'blueprint' recommendations for the Energy Council to develop a strategic energy plan, and the role of the Energy Security Board in its implementation. The Commission proposes its review will be an input to the Energy Security Board's preparation of advice to the Energy Council².

Therefore, the focus of our submission is on that stated objective for the Commission's discussion paper. The discussion paper provides an integrated view of the many and significant reforms that are currently being progressed, largely through the guidance of the Commission. However, there is scope for the discussion to more directly set out the issues that would benefit from Energy Council deliberation.

We support the view set out in the discussion paper that outworking the recommendations of the Finkel Panel 'blueprint' is the key focus for energy sector strategic priorities. Like so many stakeholders, we support the adoption of an energy sector vision and holistic blueprint to guide industry development, which are critical with the sector in a period of unprecedented change.

¹ COAG Energy Council, *Terms of reference. Request for advice: Energy sector strategic priorities*, Canberra, December 2016, available at <http://www.aemc.gov.au/getattachment/96d4d459-1f11-45a0-bd07-e3fc17040768/Terms-of-reference-2017-Energy-sector-strategic-pr.aspx>

² AEMC, Discussion Paper, Strategic Priorities for the Australian Energy Sector, 12 September 2017, Foreword, page ii

The integration of energy and emissions policies is fundamental to providing confidence to stakeholders. This has been identified in relation to various parts of the industry framework, and is a key issue in relation to the coordination of generation and transmission investment, the subject of a current review by the Commission.

The Finkel Panel has recognized the shift that is occurring in generation sourcing, and must happen, to achieve government policy objectives for renewable generation. New renewable energy zones have been identified in several jurisdictions and will need to be developed, and transmission capacity made available, so as not to prevent this. This requires scale efficient transmission development. The need for such development to support the Western Victorian wind energy zone for example, is acute. The Finkel Panel's recommendation 5.2 goes directly to this need, proposing that the Commission '*develop a rigorous framework to evaluate the priority projects, including guidance for governments on the combination of circumstances that would warrant a government intervention to facilitate specific transmission investments*'.

The Commission's Strategic Priorities paper provides the opportunity for the Commission to respond to the Finkel Panel recommendation, and set out proposals to interact with the Energy Council on implementing this recommendation. Flexibility in the rules, for incremental generator led network investment supported by network price signals on the one hand, and scale augmentation to establish a renewable energy zone, is necessary to ensure outcomes that will benefit customers in each case.

Finally, we note our affiliation with Energy Networks Australia (ENA). We confirm our support for ENA's submission.

Please contact Kelvin Gebert, our Manager Regulatory Frameworks, if we can assist with any queries in relation to this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tom Hallam', written in a cursive style.

Tom Hallam

General Manager Regulation and Network Strategy