



Draft National Electricity Amendment (Replacement expenditure planning arrangements) Rule 2017

under the National Electricity Law to the extent applied by:

- (a) the National Electricity (South Australia) Act 1996 of South Australia;
- (b) the Electricity (National Scheme) Act 1997 of the Australian Capital Territory;
- (c) the Electricity - National Scheme (Queensland) Act 1997 of Queensland;
- (d) the Electricity - National Scheme (Tasmania) Act 1999 of Tasmania;
- (e) the National Electricity (New South Wales) Act 1997 of New South Wales;
- (f) the National Electricity (Victoria) Act 2005 of Victoria;
- (g) the National Electricity (Northern Territory)(National Uniform Legislation) Act 2015; and
- (h) the Australian Energy Market Act 2004 of the Commonwealth.

The Australian Energy Market Commission makes the following Rule under the National Electricity Law.

John Pierce
Chairman
Australian Energy Market Commission

Draft National Electricity Amendment (Replacement expenditure planning arrangements) Rule 2017

1 Title of Rule

This Rule is the *Draft National Electricity Amendment (Replacement expenditure planning arrangements) Rule 2017*.

2 Commencement

This Rule commences operation on [COMMENCEMENT_DATE].

3 Amendment of the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 1.

4 Savings and Transitional Amendments to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 2.

Schedule 1 Amendment to the National Electricity Rules

(Clause 3)

[1] Clause 5.1.2 Purpose and Application

In clause 5.1.2(f), omit “A reference” and substitute “Subject to clause (f1), a reference”.

[2] Clause 5.1.2 Purpose and Application

After clause 5.1.2(f), insert:

- (f1) A reference in clause 5.16.4 and 5.16.5 to a *Transmission Network Service Provider* will, in relation to the *declared transmission system* of an *adoptive jurisdiction*, be construed as a reference to the relevant *declared transmission system operator* where the RIT-T project (as defined in clause 5.10.2) is for a replacement of *network assets*.

[3] Clause 5.10.2 Definitions

In clause 5.10.2, insert the following new definition:

de-rate means, in respect of a *Network Service Provider*, a reduction in the *network capability* of a *network element* in the *network* of that *Network Service Provider*.

[4] Clause 5.10.2 Definitions

In clause 5.10.2, omit the definition for **replacement transmission network asset**.

[5] Clause 5.12.1 Transmission annual planning review

In clause 5.12.1(b)(4), omit “to *augmentations*,” and substitute “to *augmentations* or replacement of *network assets*”.

[6] Clause 5.12.1 Transmission annual planning review

In clause 5.12.1(b)(4), omit "." and substitute "; and".

[7] Clause 5.12.1 Transmission annual planning review

After clause 5.12.1(b)(4), insert:

- (5) consider the age and condition of *network assets*.

[8] Clause 5.12.2 Transmission Annual Planning Report

After clause 5.12.2(c)(1), insert:

(1A) for all *network* asset retirements and *network* asset de-ratings that would result in a *network constraint*, that are planned over the minimum planning period specified in clause 5.12.1(c), the following information in sufficient detail relative to the size or significance of the project and the proposed operational date of the project:

- (i) a description of the *network* asset, including location;
- (ii) the reasons, including methodologies and assumptions used by the *Transmission Network Service Provider* for deciding that it is necessary or prudent for the *network* asset to be retired or de-rated, taking into account factors such as the age and condition of the *network* asset;
- (iii) the date from which the *Transmission Network Service Provider* proposes that the *network* asset will be retired or de-rated; and
- (iv) if the date to retire or de-rate the *network* asset has changed since the previous *Transmission Annual Planning Report*, an explanation of why this has occurred;

(1B) for the purposes of subparagraph (1A), where two or more *network* assets are:

- (i) of the same type;
- (ii) to be replaced across more than one location;
- (iii) to be replaced in the same calendar year; and
- (iv) each expected to have a replacement cost at or below \$100,000,

those assets can be reported together by setting out in the *Transmission Annual Planning Report*:

- (v) a description of the *network* assets, including a summarised description of their locations;
- (vi) the reasons, including methodologies and assumptions used by the *Transmission Network Service Provider* for deciding that it is necessary or prudent for the *network assets* to be retired or de-rated, taking into account factors such as the age and condition of the *network* assets;
- (vii) the date from which the *Transmission Network Service Provider* proposes that the *network* assets will be retired or de-rated; and

- (viii) if the calendar year to retire or de-rate the *network* assets has changed since the previous *Transmission Annual Planning Report*, an explanation of why this has occurred.

[9] Clause 5.12.2 Transmission Annual Planning Report

In clause 5.12.2(c)(4)(iv), after “proposals for *augmentation*” insert “, replacements of *network* assets,”.

[10] Clause 5.12.2 Transmission Annual Planning Report

In clause 5.12.2(c)(5), after “*augmentations* to the *network*” insert “ and replacements of *network* assets,”.

[11] Clause 5.12.2 Transmission Annual Planning Report

In clause 5.12.2(c)(6), after “proposed *augmentations*” insert “ and replacements of *network* assets”.

[12] Clause 5.12.2 Transmission Annual Planning Report

Omit clauses 5.12.2(7) and (8) and substitute:

- (7) any information required to be included in an *Transmission Annual Planning Report* under clause 5.16.3(c) in relation to a *network* investment which is determined to be required to address an urgent and unforeseen *network* issue; and
- (8) information on the *Transmission Network Service Provider’s* asset management approach, including:
 - (i) a summary of any asset management strategy employed by the *Transmission Network Service Provider*;
 - (ii) a summary of any issues that may impact on the system *constraints* identified in the *Transmission Annual Planning Report* that has been identified through carrying out asset management; and
 - (iii) information about where further information on the asset management strategy and methodology adopted by the *Transmission Network Service Provider* may be obtained.

[13] Clause 5.15.2 Identification of a credible option

In clause 5.15.2(c), omit “5.17.3(a)(1)-(6)” and substitute “5.17.3(a)(1)-(4)”.

[14] Clause 5.15.3 Review of costs thresholds

Omit clauses 5.15.3(a) and (b) and substitute:

- (a) Every 3 years the *AER* must undertake a review of the changes in the input costs used to calculate the estimated capital costs in relation to *transmission* investment as referred to in paragraph (b), for the purposes of determining whether the cost thresholds specified in paragraph (b) need to be changed to maintain the appropriateness of the cost thresholds over time by adjusting those cost thresholds to reflect any increase or decrease in the input costs since:
 - (1) July 2009 in respect of the first cost threshold review; and
 - (2) the date of the previous review in respect of every subsequent cost threshold review.
- (b) For the purposes of paragraph (a), the cost thresholds for review are the following amounts:
 - (1) of less than \$5 million referred to in clause 5.16.3(a)(2);
 - (2) of less than \$5 million referred to in clause 5.16.3(a)(5);
 - (3) of less than \$35 million referred to in clause 5.16.4(z1)(1); and
 - (4) in excess of \$5 million in relation to investment in transmission assets of the type referred to in the definition of potential transmission project in clause 5.10.2.

[15] Clause 5.15.3 Review of costs thresholds

In clause 5.15.3(c)(2), omit “a refurbishment or replacement need, or”.

[16] Clause 5.15.3 Review of costs thresholds

Omit clauses 5.15.3(d)(2), (3), (4) and (5), and substitute:

- (2) \$10 million referred to in clause 5.17.4(n)(2);
- (3) \$20 million referred to in clause 5.17.4(s);
- (4) \$2 million referred to in S5.8(g).

[17] Clause 5.16.3 Investments subject to the regulatory investment test for transmission

Omit clauses 5.16.3(3) and (4) and substitute:

- (3) the proposed expenditure relates to maintenance and is not intended to *augment* the *transmission network* or replace *network* assets;
- (4) **[Deleted]**;

[18] Clause 5.16.3 Investments subject to the regulatory investment test for transmission

In clause 5.16.3(a)(8), omit “(including replacement transmission network assets)”.

[19] Clause 5.16.4 Regulatory investment test for transmission procedures

In clause 5.16.4(z1)(4), omit “;” and substitute “.”.

[20] Clause 5.16.4 Regulatory investment test for transmission procedures

After clause 5.16.4(z2) insert:

Reapplication of regulatory investment test for transmission

(z3) If:

- (1) a RIT-T proponent has *published* a final project assessment conclusions report in respect of a RIT-T project;
- (2) a *Network Service Provider* still wishes to undertake the RIT-T project to address the *identified need*; and
- (3) there has been a material change in circumstances which, in the reasonable opinion of the RIT-T proponent means that the preferred option identified in the final project assessment conclusions report is no longer the preferred option,

then the RIT-T proponent must reapply the *regulatory investment test for transmission* to the RIT-T project, unless otherwise determined by the *AER*.

(z4) For the purposes of paragraph (z3), a material change in circumstances may include, but is not limited to, a change to the key assumptions used in identifying:

- (1) the *identified need* described in the final project assessment conclusions report; or
- (2) the credible options assessed in, the final project assessment conclusions report.

(z5) When making a determination under paragraph (z3) the *AER* must have regard to:

- (1) the credible options (other than the preferred option) identified in the final project assessment conclusions report;
- (2) the change in circumstances identified by the RIT-T proponent; and

- (3) whether a failure to promptly undertake the RIT-T project is likely to materially affect the *reliability* and *secure operating state* of the *transmission network* or a significant part of that *network*.

[21] Clause 5.17.3 Projects subject to the regulatory investment test for distribution

In clause 5.17.3(a)(4) after “*transmission services*;” insert “or”.

[22] Clause 5.17.3 Projects subject to the regulatory investment test for distribution

In clause 5.17.3(a)(5) omit “;” and insert “.”.

[23] Clause 5.17.3 Projects subject to the regulatory investment test for distribution

In clause 5.17.3(a)(5) omit “refurbishment or replacement” and substitute “maintenance”.

[24] Clause 5.17.3 Projects subject to the regulatory investment test for distribution

In clause 5.17.3(a)(5) omit “;” and insert “or replace *network* assets.”.

[25] Clause 5.17.3 Projects subject to the regulatory investment test for distribution

Omit clause 5.17.3(a)(6) and substitute “[Deleted]”.

[26] Schedule 5.8 Distribution Annual Planning Report

After clause S5.8(b) insert:

- (b1) for all *network* asset retirements and *network* asset de-ratings that would result in a *network constraint*, that are planned over the forward planning period, the following information in sufficient detail relative to the size or significance of the project and the proposed operational date of the project:
 - (1) a description of the *network* asset, including location;
 - (2) the reasons, including methodologies and assumptions used by the *Distribution Network Service Provider* for deciding that it is necessary or prudent for the *network* asset to be retired or de-rated, taking into account factors such as the age and condition of the *network* asset;

- (3) the date from which the *Distribution Network Service Provider* proposes that the *network* asset will be retired or de-rated; and
 - (4) if the date to retire or de-rate the *network* asset has changed since the previous *Distribution Annual Planning Report*, an explanation of why this has occurred;
- (b2) for the purposes of subparagraph (b1), where two or more *network* assets are:
- (1) of the same type;
 - (2) to be replaced across more than one location;
 - (3) to be replaced in the same *calendar year*; and
 - (4) each expected to have a replacement cost at or below \$100,000,

those assets can be reported together by setting out in the *Distribution Annual Planning Report*:

- (i) a description of the *network* assets, including a summarised description of their locations;
- (ii) the reasons, including methodologies and assumptions used by the *Distribution Network Service Provider* for deciding that it is necessary or prudent for the *network* assets to be retired or de-rated, taking into account factors such as the age and condition of the *network* assets;
- (iii) the date from which the *Distribution Network Service Provider* proposes that the *network* assets will be retired or de-rated; and
- (iv) if the calendar year to retire or de-rate the *network* assets has changed since the previous *Distribution Annual Planning Report*, an explanation of why this has occurred.

[27] Schedule 5.8 Distribution Annual Planning Report

Omit clause S5.8(g) and substitute:

- (g) a summary of all committed investments to be carried out within the forward planning period with an estimated capital cost of \$2 million or more (as varied by a cost threshold determination) that are to address an urgent and unforeseen *network* issue as described in clause 5.17.3(a)(1) including:
 - (1) a brief description of the investment, including its purpose, its location, the estimated capital cost of the investment and an

estimate of the date (month and year) the investment is expected to become operational;

- (2) a brief description of the alternative options considered by the *Distribution Network Service Provider* in deciding on the preferred investment, including an explanation of the ranking of these options to the committed project. Alternative options could include, but are not limited to, *generation* options, demand side options, and options involving other *distribution* or *transmission networks*;

[28] Schedule 5.8 Distribution Annual Planning Report

Omit clause S5.8(m), and insert:

- (m) information on the *Distribution Network Service Provider's* investments in information technology and communication systems which occurred in the preceding year, and planned investments in information technology and communication systems related to management of *network* assets in the forward planning period; and

**Schedule 2 Savings and Transitional Amendments to the
National Electricity Rules**

(Clause 4)

[1]

[Note

The draft rule does not include provisions for transitional arrangements. See Chapter 7 of the draft determination for details of the proposed transitional arrangements]