



24 November 2011

Mr John Pierce  
Chairman  
Australian Energy Market Commission  
Level 5, 201 Elizabeth Street,  
SYDNEY NSW 2000

570 George Street  
Sydney NSW 2000  
All mail to GPO Box 4009  
Sydney NSW 2001  
T +61 2 131 525  
F +61 2 9269 2830  
[www.ausgrid.com.au](http://www.ausgrid.com.au)

Dear Mr Pierce,

**National Electricity Amendment (Distribution Network Planning and Expansion Framework) Rule Change Proposal (ERC0131)**

Ausgrid welcomes the opportunity to provide a submission on the draft MCE Rule change proposal to implement the Rule change recommendations made by the AEMC following the release of its Distribution Network Planning and Expansion Review final report.

Since the announcement of the Review in December 2008, Ausgrid has been actively involved, both in terms of attending discussion workshops and providing submissions to the Review.

As it is the first formal opportunity to consult on a Rule change proposal for the framework, we feel it important to provide a comprehensive submission as there are a number of drafting issues with the draft Rules which need to be addressed to provide a workable outcome. This is particularly the case for Ausgrid as we operate as both a TNSP and DNSP. This means that we own and operate dual function assets and undertake detailed joint planning, both internally as a TNSP and DNSP, and as a DNSP and TNSP with TransGrid.

In addition to providing this submission, Ausgrid has been working with the Energy Networks Association (ENA) and its members, to develop an industry submission on the proposed Rule change. Ausgrid endorses the objectives in the ENA submission.

If you have any queries or wish to discuss this matter in further detail please contact Keith Yates on (02) 9269 4171.

Yours sincerely

A handwritten signature in black ink, appearing to be "P. Birk", written in a cursive style.

Peter Birk  
Executive General Manager System Planning and Regulation

# Submission on Distribution Network Planning and Expansion Framework Rule change request from the MCE

November 2011



# 1 Key Messages

---

Ausgrid has a number of key messages in relation to the Rule change proposal which are outlined below and further discussed in the submission:

## **More incentive and less prescription is required to increase demand side participation in the NEM**

The best way to encourage more effective inclusion of non-network alternatives into distribution network planning is through the use of clear incentives rather than prescriptive process requirements. Ausgrid is not confident that the draft Rules will be effective in increasing demand side participation in the NEM.

## **The policy intent of investments arising out of the TNSP/DNSP joint planning process should be implemented in the Rules**

Investments which arise out of the TNSP/ DNSP joint planning process which affect both a transmission and distribution network or which require action by both a TNSP and DNSP should be treated as a joint investment and subject to the RIT-T. However, there is not an expectation that the RIT-T will apply to all investments in the joint planning process.

## **Dual function assets will still be subject to the RIT-D process**

Ausgrid supports the outcome under the draft Rules which provides that certain joint network investments in the distribution network will still be subject to the RIT-D process. In a particular, if a proposed distribution investment is a dual function asset it will be assessed under the RIT-D.

## **Ausgrid should not be subject to both TNSP and DNSP obligations under the Rules**

Ausgrid states that it is not necessary or appropriate for a DNSP who is a TNSP solely because it owns and operates dual functions assets, to have the obligations of both a DNSP and TNSP under the Network Planning and Expansion provisions of the Rules.

## **Clarity is required on the application of the RIT-D to various proposed investments**

Ausgrid is concerned that the scope of investment decisions subject to the RIT-D process is uncertain and potentially much broader than intended.

## **The use of "most expensive" options as the RIT-D threshold is problematic**

The AEMC should clarify the intent of "most expensive option" to recognise that as drafted, it could lead to almost every distribution investment being subject to the RIT-D.

## **The adequacy of the Specification Threshold Test (STT) to achieve its intended purpose**

More refined criteria than "technically feasible" is required in the STT to determine when consultation on non-network options is considered appropriate.

## **Customer connection expenditure should be exempt from the RIT-D**

Ausgrid submits that where there is a new investment in the network associated with customer connections, and where the customer contributes a significant proportion of the costs, this investment should be exempt from the RIT-D process.

## **DAPR reporting requirements may impose inefficiencies on the DNSP**

If the requirements of the Rules impose a DAPR reporting or other requirement that is not currently supported by current planning processes, it is likely that the additional requirement is inefficient from a planning perspective.

## 2 Response to Consultation Paper Questions

---

### Question 1 Annual planning process

- 1.1 **What are the implications of allowing each jurisdiction to determine the start date for the annual planning period?**
- 1.2 **Is it necessary to include a default start date for the annual planning period in the Rules?**

Ausgrid endorses the ENA submission and supports the proposal to allow each jurisdiction to determine the start date for the annual planning period and the publication of the Distribution Annual Planning Report.

### Question 2 Demand Side Engagement Strategy

- 2.1 **To what extent would potential investors, non-network providers and any other interested parties find the information provided by the proposed Demand Side Engagement Strategy (specifically, the Demand Side Engagement document, the database of non-network proposals/case studies and the Demand Side Engagement register) useful?**
- 2.2 **To what extent would DNSPs incur additional costs in developing and maintaining the various components of the proposed Demand Side Engagement Strategy?**

Ausgrid endorses the ENA submission but offers the following additional comments.

One of the main objectives of the review is a demand side engagement strategy to facilitate more proactive involvement with non-network solution providers. Ausgrid's view is that the best way to encourage more effective inclusion of non-network alternatives into distribution network planning is through the use of clear incentives rather than prescriptive process requirements. As noted in the ENA submission, the experience in NSW and SA has demonstrated that the effort and cost of prescriptive 'market engagement' approaches has not been rewarded with results.

In NSW, Ausgrid would contend that the success that has been enjoyed in bringing forward increasing participation from non-network alternatives has been driven more effectively by the D-factor incentive regime than by the requirements of the NSW Demand Management Code. This has occurred against a background of a very high proportion of investment being driven by replacement requirements rather than growth, where non-network alternatives are much less relevant.

In SA, the application of a more prescriptive approach has not resulted in commensurate outcomes. As we noted in our response to the AEMC's demand side participation (DSP) stage 3 review, under requirements set out in Guideline 12, ETSA Utilities considers non-network solutions for all proposed network projects over \$2m, using a request for proposals (RFP) approach to securing projects. In 2009/2010 ETSA reported that it conducted 7 'reasonableness tests', with only one proceeding to issue of an RFP. According to ETSA's public documents, between 2004 and 2009, ETSA issued 24 RFPs to source non-network alternatives. In almost every case, no complying responses were received, and no non-network alternatives have been pursued to implementation in any of these cases.

Ausgrid has also noted, in its response to the AEMC DSP stage 3 review, that the focus of non-network solutions solely on distribution investment results in a much lower range of demand management alternatives being taken up because the very specific geographic and time specific nature of distribution network needs limits the range of initiatives that can be implemented. This is further limited where asset condition drivers are much more prevalent than growth drivers (as is the current case in the Ausgrid network environment). Ausgrid proposes that a wider ranging mechanism to promote and incentivise more investment in demand side initiatives should complement the consideration of wider market benefits under a revised RIT-D.

**Question 3 Distribution Annual Planning Report**

- 3.1 What are the implications (positive and negative) of providing DNSPs with the opportunity to apply for exemptions or variations to the annual reporting requirements?**
- 3.2 Do you consider the proposed process for applying for and granting an exemption or variation to the annual reporting requirements is appropriate?**
- 3.3 How might a DNSP demonstrate, and the AER determine, whether the costs of preparing certain reporting data would "manifestly exceed any benefit that may reasonably be obtained from reporting the relevant data in a national regime"? Is there a need to define a set of criteria to assist both parties in this assessment?**
- 3.4 Are there any alternative solutions which may better balance the benefits of maintaining consistency across the NEM with the costs of preparing and reporting the data under a national framework?**
- 3.5 Do DNSPs face sufficient business and regulatory drivers to ensure that they carry out appropriate planning and produce accurate forecasts in their DAPRs?**
- 3.6 Is there a need to consider additional measures to ensure DNSPs deliver robust, high quality DAPRs? If so, what additional measures could be put in place?**

Ausgrid endorses the ENA submission but offers the following additional comments.

The reporting requirements of the Rules should be sufficiently flexible to be reflective of current planning processes unless there is a clear reason that these are inadequate. As an example, Ausgrid has some 2200 primary 11kV distribution feeders. Our current practice is to review each area in turn on a 2.5 year cycle and identify forthcoming issues and limitations on all feeder segments according to the jurisdictional reliability standards. This is a complex and time consuming process. As currently drafted (notwithstanding clause 5.6.2AA(g)(1)(iv)), the Rules would require annual forecasting of each primary feeder which would impose an additional activity that would not add value to the planning or decision making process. This is because these forecasts are not required to be reported unless a capacity shortfall is identified so it would also not add value to the level of transparency.

Ausgrid maintains that the draft Rules should not attempt to specify activities or approaches but be limited to the required reporting outputs and decision making methodologies. DNSPs should be afforded the freedom to determine how to achieve these outcomes in the way that best suits their business and be able to seek exemptions where appropriate (and have them granted in a timely manner).

The ENA submission notes that Schedule 5.8 of the draft Rules appears to request information that is already available via other regulatory mechanisms. Ausgrid states that the DAPR should not replicate information which is reported in other published documents or examined in other regulatory processes. For example, Ausgrid has 25 Area Strategies by region and 3 transmission strategies, it is unclear what benefit the re-publication of these plans would serve. In addition, Ausgrid submits that it should be able to present a DAPR covering both transmission and distribution assets and that it should not be required to prepare both a TAPR and a DAPR. This issue does not seem to have been accommodated in the proposed Rule changes.

**Question 4 Joint planning requirements**

- 4.1 Do you consider the proposed Rule is appropriate and sufficient in clarifying the arrangements for joint planning between DNSPs and TNSPs?**
- 4.2 In what circumstances would DNSPs be required to undertake joint planning with other DNSPs?**
- 4.3 Do you consider the proposed Rule is appropriate and sufficient in clarifying the arrangements for joint planning between DNSPs?**

Ausgrid endorses the objective in the ENA submission that distribution investments, however initiated, should be subject to the RIT-D. Ausgrid has reviewed the provisions regarding “joint network investment” and there is a need for clarification on AEMC’s policy intent regarding the treatment of these investments. This issue is of particular interest to Ausgrid as it is both a TNSP and DNSP for the purpose of Chapter 5, owns and operates Dual Function Assets and undertakes a detailed joint planning process, both internally as TNSP and DNSP and as a DNSP and TNSP with TransGrid. Once the intent and reasoning behind the intended treatment of jointly planned investments is established, the Rule changes should be modified accordingly to ensure the intent is clearly and correctly captured.

The current draft Rules and the AEMC September 2009 Final Report<sup>1</sup> (the Final Report), indicate that the policy intention is *that investments which arise out of the TNSP/ DNSP joint planning process which affect both a transmission and distribution network or which require action by both a TNSP and DNSP should be treated as a joint investment and subject to the RIT-T*<sup>2</sup>. However, on occasion reference is made to investments arising out of joint planning without the further elements<sup>3</sup>. This is potentially a much broader category of investment than investments which affect transmission and distribution networks or which require action by both a TNSP and DNSP. It may be that shorthand language has been used, but care will need to be taken to ensure that there is not an expectation that RIT-T will apply to any investment identified through the joint planning process, only those which affect both the transmission and distribution network or require action by both should be caught, subject to the qualification for dual function assets discussed below. In this regard, Ausgrid suggests that clause 5.6.5CB(a)(4) be amended to refer to “joint network investment” rather than “the need for the proposed distribution investment has been identified through a joint planning process between a Distribution Network Service Provider and a Transmission Network Service Provider.”

<sup>1</sup> AEMC 2009, Final Report Review of National Framework for Electricity Distribution Network Planning and Expansion, 23 September 2009 at p21

<sup>2</sup> The italicised words effectively form the proposed definition of “joint network investment”, except that the definition attempts to make a shorthand reference to the joint planning process by referring to clause 5.6.2AA(t). Ausgrid queries whether this is the correct reference as this provision addresses the content of the Distribution Annual Planning Report, should the reference be to 5.6.2AA(h)(3)?

<sup>3</sup> AEMC 2011, Consultation Paper Review of National Framework for Electricity Distribution Network Planning and Expansion, 2 September 2011 at p 8 and draft Rule 5.6.5CB(a)(4).

**Question 5 Regulatory Investment Test for Distribution**

- 5.1 Do you consider the proposed RIT-D design parameters are likely to work together to provide an effective decision making framework for DNSPs, consistent with the NEO?**
- 5.2 Do you consider it is necessary to provide the AER with additional powers to (1) review a DNSPs policies and procedures with regard to the consideration of non-network alternatives and (2) audit projects which have been identified by DNSPs as not meeting the threshold for the RIT-D?**
- 5.3 Should the AER be required to publish a separate annual report detailing the results of any audit undertaken in the preceding 12 months?**

*Dual Function Assets*

Ausgrid supports the outcome under the draft Rules which provides that certain joint network investments in the distribution network will still be subject to the RIT-D process. This is not expressly discussed in either the AEMC's Final Report on the review or the current Consultation paper but it is clear from the AEMC Final Determination and Rule for the RIT-T<sup>4</sup> that dual function assets will not be subject to the RIT-T and this is reflected in the current Rules<sup>5</sup> and maintained in the proposed draft Rules

Consistent with the current Rules, clause 5.6.5C(6) of the draft Rules is proposed to be amended so that a joint network investment that will be a dual function asset will not be subject to RIT-T. Also consistent with this, is that proposed clause 5.6.5CB(b) provides that if the proposed distribution investment is a dual function asset it must be assessed under the RIT-D. While Ausgrid is satisfied with this result, Ausgrid requests that the definitions used in subclause 5.6.5CB(b) be checked as it refers to where the "*distribution investment*" is to be provided as a *dual function asset*.... The issue this creates is that by definition, a dual function asset is actually a transmission investment, so the reference should probably be to an investment by a Network Service Provider which is a dual function asset.

If the intent of the draft Rules is implemented as above, it will result in a relatively narrow class of joint network investments being subject to the RIT-T, i.e. those investments which are identified through the joint planning process (under proposed clause 5.6.2AA(h)) which affect both the transmission and distribution networks or which require action by both the TNSP and DNSP, but which are not dual function assets or in the case of transmission investment, not designed to address limitations on the distribution network already notified under 5.6.2(e)(2) which will be subject to RIT-T.

Conversely a jointly planned distribution investment to meet limitations on the transmission network (which by implication either affect both networks or which require action by both the TNSP and DNSP) and which are not dual function assets will be subject to RIT-T.

Ausgrid accepts this approach as appropriate as it is most likely that such investment would be part of investment being carried out by TransGrid and that agreement will be reached that the obligations in relation to the RIT-T will be met by TransGrid.

*Dual Function Asset and Obligations as a TNSP*

A broader issue which arises in relation to dual function assets is that notwithstanding the treatment of dual function assets as essentially distribution under both Chapter 5 and Chapter 6, Ausgrid continues to be a TNSP by virtue of the definition of TNSP under the Rules. Part N of Chapter 6 of the Rules recognises that dual function assets should be treated as distribution assets for the revenue determination process and possibly for pricing purposes. This however does not affect the status of Ausgrid or any other DNSP with dual function assets as a TNSP under the Rules more generally.

<sup>4</sup> AEMC 2009 Final Determination National Electricity Amendment (Regulatory Investment Test for Transmission) Rule 2009, 26 June 2009 at p 26.

<sup>5</sup> Clause 5.6.5C of the current Rules expressly excludes transmission investment which will be a dual function asset from assessment under the RIT –T process.

This may be appropriate in some parts of the Rules, but Ausgrid submits that consideration should now be given to whether it is necessary or appropriate for a DNSP who is a TNSP solely because it owns and operates dual function assets to have the obligations of both a DNSP and TNSP under the Network Planning and Expansion provisions of the Rules. Ausgrid having the status of both DNSP and TNSP under these proposed provisions results in the following anomalies:

- Ausgrid must conduct an annual planning review for its dual function assets as a TNSP rather than an integrated review for all assets and consult with itself as DNSP;
- Ausgrid must carry out joint planning internally as a TNSP and DNSP ;
- Ausgrid must prepare a Transmission Annual Planning Report in relation to dual function assets which are otherwise treated subject to the RIT D process. Due to the proposed timing requirements for these reports it is not even possible for these separate reports to be published as a single document at the same time. Note that Transmission Annual Planning Reports are due to be lodged by 30 June each year whilst the Distribution Annual Planning Report will be required by a jurisdictional specified date and the AEMC has recommended that these reports be published by 31 December each year.

Ausgrid submits that the draft Rules should provide for a more integrated process for a NSP in Ausgrid's position to review, plan and report on dual function assets in a way which is integrated into the process it carries out as a DNSP. If the AEMC agrees with this at a policy level, Ausgrid would be happy to confer further with the AEMC as to the nature of this integrated approach so that it could be the subject of consultation with stakeholders.

#### *Potential scope of a "distribution investment"*

Ausgrid is concerned that the scope of investment decisions subject to the RIT-D process is uncertain and potentially much broader than intended, and that the interaction of the terms "distribution investment" and "identified need" is confusing. For example, 'distribution investment' for the purposes of the procedures set out in 5.6.6AB, and the RIT-D process more generally, could imply that a range of network investments that are not amenable to non-network alternatives (e.g. duty of care, system IT etc) could be unintentionally caught.

The expansion of the RIT-D to cover investments other than augmentation has significant consequences with respect to the regulatory burden in performing analysis and demonstrating compliance. Ausgrid suggests that the AEMC re-draft to ensure that only the intended types of investment are subject to the RIT-D. This would be better achieved by identifying those investments that are included than by the current approach of an all-encompassing rule with a range of specified exceptions. Ausgrid would appreciate an opportunity to workshop in detail the scope of investments intended to be caught by this definition with other industry participants and the AEMC.

#### *Inclusion of customer connection expenditure*

Connection of customers often requires the loop-in, loop-out of distribution feeders into the customer's premises and the establishment of substations. These connection feeders and associated substation busbars often result in the creation of a shared network asset which would under the draft Rules, be subject to the RIT-D. Ausgrid has a concern that such connection assets which may result in the creation of a shared network asset could become the subject of a RIT-D.

Whilst in most cases distribution expenditure will be below the application threshold, this has the potential for concern with respect to Ausgrid funded assets for major loads, as it results in not only a compliance burden, but also will delay works by potentially many months whilst the required consultation is carried out. These customers, who have already considered the alternatives to a network connection, usually have tight time frames for connection and to have this process captured under the RIT-D process will result in unnecessary connection delays.

As outlined in the ENA submission, Ausgrid supports the suggestion that where there is a new investment in the network associated with customer connections, and where the customer contributes a significant proportion of the costs, this investment should be exempt from the RIT-D process.



### *Specification Threshold Test*

Ausgrid supports the use of the Specification Threshold Test (STT) but seeks more refined criteria than "technically feasible" to determine when consultation on non-network options is considered appropriate. As currently drafted, it is Ausgrid's view that the draft Rules will often require consultation on non-network options in cases where it is extremely unlikely to provide viable alternatives, increasing effort (and cost) for both DNSPs and non-network option proponents and introducing substantial delay for little benefit. In addition, the summary of the RIT-D process outlined in the diagram in Appendix A of the consultation paper adds to this confusion. This is because it seems to imply that DNSPs must identify all options before commencing an STT, whereas the STT should be conducted first before a preferred option is identified.

Ausgrid has extensive experience conducting its own "demand management screening tests" and implementing non-network options for over six years and would be happy to assist the Commission in developing its approach. Similar in intent to the STT, the criteria we have developed to determine whether it is reasonable to expect that non-network options will be technically and economically feasible include:

- 1) The size of the demand reduction requirement (particularly as a proportion of total demand).
- 2) The likely value of savings from deferring or avoiding the network investment (in total dollars and \$/kVA).
- 3) The characteristics of the customers in the load area.
- 4) Timing and duration of peak reduction requirements.

### *Compliance*

Ausgrid notes that the draft Rules propose that the AER may review a DNSP's policies and procedures to determine if non-network solutions have been duly considered even for projects exempt from the RIT-D, and then report on such a review by 31 March each year. This may prove overly burdensome and ultimately unnecessary for projects exempt from the RIT-D. Ausgrid maintains that the AER already has sufficient compliance and enforcement powers under the NER and NEL. Moreover, the AER publishes quarterly reports which detail its compliance and enforcement activities. The AER does not require the additional powers as proposed in the draft Rules.

**Question 6 Dispute resolution process**

- 6.1 Do you consider the proposed scope of parties who could raise a dispute to be appropriate?**
- 6.2 What are the implications (positive and negative) of allowing the AER to grant exemptions from the proposed dispute resolution process?**
- 6.3 Is there a need to develop detail or specification around the process for applying to the AER for, and the AER approving, exemptions to the dispute resolution process?**

**Question 7 Implementation and transition**

- 7.1 Are there any issues in respect of the rolling back of jurisdictional requirements that may need to be supported or provided for by transitional provisions in the Rules?**
- 7.2 If the proposed national framework was to be introduced, are the proposed timeframes appropriate to allow for the transition to the national framework?**
- 7.3 Are there any other factors that should be taken into account in developing transitional provisions to enable the efficient potential application of the proposed Rule to all DNSPs?**
- 7.4 From a market participant perspective, are there any implications in not aligning the proposed introduction of the national framework with the commencement of the NECF?**

Ausgrid endorses the ENA submission.

### 3 Drafting Issues

| Clause  | Comment   |
|---|---|
| <p>5.6.2 (e) Each <i>Network Service Provider</i> must:</p> <p>(1) extrapolate the forecasts provided to it by <i>Registered Participants</i> for the purpose of planning;</p> <p>...</p> <p>(3) notify any affected <i>Registered Participants</i> and <i>AEMO</i> of the expected time for undertaking proposed corrective action which may consist of:</p>   | <p>Notification in 5.6.2 (e)(3) only arises from the forecasts of Registered Participants. However, the analysis of Registered Participant forecasts does not make much sense in a distribution context as there are few Registered Participants and they have little impact on the system performance. Moreover, this clause is referred to extensively in 5.6.5C and 5.6.5CB when considering exclusion from RIT-T and RIT-D. However, it would not make sense to exclude an investment from either the RIT-D or RIT-T because of limitations arising from Registered Participant forecasts. Ausgrid would contend that it would make more sense to require NSPs to develop forecasts, taking into account forecasts provided by Registered Participants. AEMC should consider a revision to that effect.</p> |
| <p>(k1) The relevant <i>Distribution Network Service Provider</i> or <i>Transmission Network Service Provider</i> must, as appropriate, include the cost of the relevant <i>network</i> options referred to in paragraph (k) in either:</p> <p>(1) the calculation of <i>distribution service</i> prices determined in accordance with Chapter 6; or</p> <p>(2) the calculation of <i>transmission use of system charges</i>.</p> | <p>5.6.2 (k1) Provides for inclusion of option costs in NUOS but it is not clear what option is referred to as the clause does not link with any previous clauses. Ausgrid suggests that the need for this clause be revisited in light of the current Chapters 6 and 6A.</p>   |
| <p>5.6.2AA (f) The <i>distribution</i> annual planning review must include all assets and activities that would be expected to have a material impact on the <i>Distribution Network Service Provider's network</i> over the appropriate <i>forward planning period</i>.</p>  | <p>The term 'activities' does not make sense from a planning perspective and should be removed.</p>   |
| <p>5.6.2AA(h) (4) where the need for <i>augmentation</i> or a non-<i>network</i> alternative is identified under subparagraph (3):</p> <p>...</p> <p>(ii) must carry out the <i>regulatory investment test for transmission</i> for the <i>identified need</i>; and</p>   | <p>5.6.2AA(h)(4)(ii) refers to applying the RIT-T to the "identified need". The definition of "identified need" refers to the reason why the NSP proposes to undertake a particular investment. It is not apparent how this is susceptible to the application of the RIT-T. Ausgrid suggests that it would be more appropriate to state that the regulatory investment test for transmission must be carried out where the system limitation is proposed to be addressed by a joint network investment.</p>   |

|   |   |
|---|---|
| <p>5.6.5CA(c) The <i>regulatory investment test for distribution</i> must:</p> <p>(1) be based on a cost-benefit analysis that includes an assessment of reasonable scenarios of future supply and demand if each <i>credible option</i> were implemented compared to the situation where no option is implemented;</p> | <p>Distribution planning does not generally require the identification of alternative scenarios of demand growth and development which is a characteristic of transmission developments. The requirement for a RIT-D to develop and consider alternative scenarios is considered to be inappropriate and disproportionate to the outcomes of such analysis. From a distribution planning perspective, it is more appropriate to take a sensitivity analysis approach to demand forecasts. Ausgrid recommends an amendment to reflect the use of this approach.</p>  |
| <p>(v) changes in <i>load transfer capacity</i> and the potential for <i>load transfer capacity of embedded generating units</i>;</p>   | <p>“the potential for <i>load transfer capacity of embedded generating units</i>’ should read “capacity of embedded generators to take up load”.</p>  |
| <p>5.6.5CB(a)(2) the estimated capital cost of the most expensive option to address the relevant <i>identified need</i> which is technically and economically feasible is less than \$5 million (as varied in accordance with a <i>cost threshold determination</i>)</p>  | <p>Ausgrid submits that the AEMC should clarify the intent of "most expensive option" to recognise that as drafted, it could lead to almost all every distribution investment being subject to the RIT-D. This is also addressed in the ENA submission.</p>   |
| <p>5.6.5CB(a)(6) the proposed <i>distribution investment</i> will be a <i>connection asset</i>, which will not be part of the <i>Distribution Network Service Provider’s</i> shared <i>distribution network</i>;</p>  | <p>As noted above, where there is a new investment in the network associated with customer connections, and where the customer contributes a significant proportion of the costs, this investment should be exempt from the RIT-D process.</p>  |
| <p>5.6.5CB(b) If the proposed <i>distribution investment</i> is to be provided as a <i>dual function asset</i>, the proposed investment must be assessed under the <i>regulatory investment test for distribution</i>.</p>  | <p>Dual function assets are not distribution investments as they are by definition transmission assets.</p>   |
| <p>5.6.5CB(c) For the purposes of paragraph (a)(1), a proposed <i>distribution investment</i> will be required to address an urgent and unforeseen <i>network issue</i> that would otherwise put at risk the <i>reliability</i> of the <i>distribution network</i> if:</p>  | <p>Clauses 5.6.5C and 5.6.5CB(c) refer to an investment being required to address an urgent and unforeseen network issue that would otherwise put at risk the reliability of the distribution network. On its natural reading this would require the reliability of the whole of the transmission or distribution to be at risk. This may be appropriate for transmission, but it would have very limited utility for a distribution network. It is suggested that the purpose of the clause would be better achieved if it referred to “put at risk the reliability of the distribution/transmission network or a significant part of that network.”</p> |
| <p>5.6.5CB(c)(1) it is necessary that the proposed <i>distribution investment</i> be operational within 6 months of the <i>Distribution Network Service Provider</i> identifying the <i>identified need</i>;</p>  | <p>The requirement for a distribution investment to address an urgent and unforeseen network issue to be operational within 6 months is unrealistic as it would not enable completion of any significant work other than repairs/disaster recovery, particularly given the lead times associated with procurement of network plant and equipment. Rather than prescribe a more</p>  |

|   |   |
|---|---|
|   | <p>appropriate timeframe, Ausgrid suggests urgent and unforeseen work should fall within the exemptions framework and be reflected in clause 5.6.5CB(a) of the draft Rules.</p>   |
| <p>5.6.6AB (h)(5) the technical characteristics of the <i>identified need</i> that a non-<i>network</i> option would be required to deliver, such as:</p> <p>...</p> <p>(iii) contribution to <i>power system security or reliability</i>;</p> <p>(iv) contribution to <i>power system</i> fault levels as determined under clause 4.6.1; and</p> <p>(v) the operating profile;</p>   | <p>Clauses (iii), (iv) and (v) are not appropriate for distribution and should be removed.</p>  |
| <p>5.6.6AB (m) If the <i>Distribution Network Service Provider</i> elects to proceed with the proposed <i>distribution investment</i>, within:</p> <p>(1) 12 months, or</p> <p>(2) any longer time period as agreed to in writing by the <i>AER</i>, or</p> <p>(3) where relevant, the end of the consultation period on a <i>project specification report</i> or the publication by the <i>Distribution Network Service Provider</i> of a <i>Specification Threshold Test</i> report, the <i>Distribution Network Service Provider</i> must prepare a <i>draft project assessment report</i>, having regard to the submissions received, if any, and <i>publish</i> that report.</p> | <p>It is not clear from the structure of this clause from when the 12 month period referred to in subclause (1) runs. The intention appears to be that it should run from the end of consultation on a project specification report or the publication of a STT, but this is not clear and should be amended.</p>   |
| <p>5.6.6AB (z) The <i>AER</i> must take into account a <i>Distribution Network Service Provider's</i> application of the <i>regulatory investment test for distribution and final project assessment reports</i> when considering a <i>Distribution Network Service Provider's</i> regulatory proposal under Chapter 6 of the <i>Rules</i>.</p>   | <p>As the RIT-D applies to other than distribution assets, (dual function assets and transmission assets for distribution needs) this needs to be more general and should be worded to cover NSP not DNSP.</p>  |
| <p>S5.8 (2) (ii) <i>load</i> forecasts for:</p> <p>...</p> <p>(A) the <i>network</i> as a whole;</p> <p>(B) <i>transmission-distribution connection points</i>;</p> <p>(C) <i>sub-transmission lines</i>; and</p> <p>(D) <i>zone substations</i>,</p> <p>including for each item specified above:</p> <p>(E) <i>total capacity</i>;</p> <p>(F) <i>firm delivery capacity</i> for summer periods and winter periods;</p> <p>(G) <i>peak load</i> (summer or winter and the number of hours per year that 95% of peak is expected to be reached);</p>   | <p>The term ‘transmission-distribution connection points’ is not referred to in the clause 5.6.2AA(g)(1) forecast requirements. The draft Rules also omit forecasts for sub-transmission substations. It is therefore assumed that transmission-distribution connection points are intended to describe sub-transmission substations. The AEMC should amend as appropriate.</p> <p>With regards to points (E) to (J) – not all of the descriptions are applicable to the items in (A) to (D). For example, power factor at time of peak load (H) is not applicable to lines as it is usually measured at a metering point. Ausgrid contends that there should be a qualification such as “Including for each item specified above (and where applicable)”</p> |

|  |  |
|--|--|
| <p>(H) <i>power factor</i> at time of <i>peak load</i>;</p> <p>(I) <i>load transfer capacities</i>; and</p> <p>(J) <i>generation capacity of embedded generating units</i>;</p>  |  |
| <p>S5.8 (3) for any <i>primary distribution feeders</i> identified by the <i>Distribution Network Service Provider</i> that:</p> <p>(i) in the first year of the <i>forward planning period</i>, are forecast to experience an overload, or</p> <p>(ii) in the next two years, are forecast to exceed 100% of its <i>normal cyclic rating</i> (in summer periods or winter periods) under normal operating conditions, the <i>Distribution Network Service Provider</i> must set out:</p> <p>...</p> <p>(vii) where an estimated reduction in forecast <i>load</i> would defer a forecast overload for a period of 12 months, include:</p> <p>(A) best estimate of the month and year in which the overload is forecast to occur;</p> <p>(B) a summary of the location of relevant connection points at which the estimated reduction in forecast load would defer the overload;</p> | <p>The use of both ‘overload’ and as ‘exceed 100%’ are interchangeable terms. Ausgrid suggests removal of one of the clauses.</p> <p>In relation to clause (3) vii (B), the use of <i>connection point</i> here is problematic. In the case of a primary distribution feeder, the only connection point which applies would be a point of supply to a franchise customer. It is not pragmatic for a DNSP to identify each customer at which a load reduction would defer overloads. Ausgrid suggests deletion.</p> |
| <p>S5.8 (4) (ii) analysis of any potential for <i>load transfer capacity</i> between <i>supply</i> points that may decrease the impact of the <i>system limitation</i> or defer the requirement for investment;</p> <p>...</p> <p>(v) where an estimated reduction in forecast <i>load</i> would defer a forecast <i>system limitation</i> for a period of, at least, 12 months, include:</p> <p>(A) the month and year in which a <i>system limitation</i> is forecast to occur as required under subparagraph (ii);</p> <p>(B) the relevant <i>connection points</i> at which the estimated reduction in forecast <i>load</i> may occur; and</p>   | <p>In relation to clause (4) (ii) the use of load transfer capacity is inappropriate for distribution networks and in clause 4)(v)(B) the <i>connection point</i> reference is inappropriate (as outlined above). Ausgrid suggests deletion.</p>   |
| <p>S5.8 (10) provide information on the performance of the <i>Distribution Network Service Provider’s network</i>, including a summary description of</p>  | <p>The standards for quality of supply as provided in the Rules, are high level</p>  |

|   |   |
|---|---|
| <p>the:<br/>         ...<br/>         (ii) quality of <i>supply</i> standards that apply, including the relevant codes, standards and guidelines;<br/>         (iii) performance of the <i>distribution network</i> against the reliability and quality of <i>supply</i> standards for the preceding year;<br/>         ...<br/>         (v) a summary of the information in the most recent submission to the <i>AER</i> under the <i>service target performance incentive scheme</i>.</p> | <p>targets and as such it is difficult to demonstrate compliance. The obligation as drafted is therefore not appropriate and goes well beyond that commonly required by the Rules. In relation to clause (10) (v) It is not clear what information is required for the STPIS, some clarity could be provided for this clause.</p> |
| <p>S5.8 (14) provide regional development plans consisting of a map of the <i>Distribution Network Service Provider's network</i> as a whole or maps by regions in accordance with the <i>Distribution Network Service Provider's</i> planning methodology or as required under any <i>regulatory obligation or requirement</i> identifying:</p>  | <p>As noted in the main comments above, the DAPR should not replicate information which is reported in other published documents or examined in other regulatory processes. There are 25 Area Strategies by region and 3 transmission strategies. It is unclear what benefit the publication of such plans would serve.</p>       |
| <p>Glossary: definition of <i>system limitation</i></p>   | <p>Definition of system limitation, refers to 5.6.2AA(f)(2), there is no subclause (f)(2). Should the reference be to 5.6.2.AA(g)(2)?</p>   |