Energy Retailers Association of Australia Incorporated

21 December 2007

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box H166
AUSTRALIA SQUARE NSW 1215
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Dear Dr Tamblyn,

RE : National Transmission Planner

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to comment on the 'National Transmission Planner issues paper.

Our submission on the issues raised is attached.

Should you require any further information in relation to this matter please feel free to contact me on (02) 9437 6180.

Yours sincerely

[Transmitted Electronically]

Cameron O'Reilly
Executive Director
Energy Retailers Association of Australia

Energy Retailers Association of Australia Incorporated

ERAA Submission on the NTP Issues Paper

December 2007

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1. Introduction

1.1. Preamble

The Energy Retailers Association of Australia (ERAA) is pleased to have the opportunity to comment on the National Transmission Planner (NTP) Issues Paper released for comment by the Australian Energy Market Commission (AEMC) in November 2007.

The ERAA is an independent association representing twelve retailers[1] of electricity and gas throughout the National Electricity Market (NEM) and the jurisdictional gas markets. ERAA members collectively provide electricity to 11 million customers in the NEM and are the first point of contact for end use customers for both gas and electricity. As such we are critically interested in a transmission planning regime that delivers an efficient and effective transmission system.

1.2. Guiding Principles

Before responding in detail to the various matters raised, we discuss some general issues from which we have established principles that have guided our specific responses.

Firstly, we agree with the issues paper that the review outcomes should align with the specific wording and the *broad intent* of the Ministerial Council of Energy (MCE) direction[2] . On this basis, we have refrained from commenting on the merits of the MCE direction itself, since this is beyond the scope of the review.

We would infer, given the background to this review[3] that the MCE "intent" is that, where MCE/COAG supports the ERIG recommendations, it also supports the ERIG concepts and arguments underlying those recommendations, as articulated in the ERIG report[4]. For example, MCE/COAG does not just support *a* National Transmission Network Development Plan (NTNDP), but specifically supports *the* NTNDP that is described in the ERIG report, for the reasons presented in that report.

Secondly, at the risk of stating the obvious, we see that there are two critical factors necessary to ensure that the NTP initiative promotes efficient transmission investment:

- the NTP has the expertise and independence to determine the efficient transmission development path; and
- the Transmission Network Service Providers (TNSPs) align their investment behaviour with that efficient path.

[1] Members are: AGL, Aurora Energy, Australian Power & Gas, Country Energy, Energy Australia, Integral Energy, Origin Energy, TRUenergy, Actew/AGL, Ergon Energy, Horizon Power and Synergy Energy

[2] P4 of the Issues Paper

[3] The MCE direction is based on the Council of Australian Governments (COAG) response to the Energy Reform Implementation Group (ERIG) recommendations on transmission planning

[4] "Energy Reform, The way forward for Australia", A report to COAG by the Energy Reform Implementation Group, January 2007

Both these factors must be present: there is no value in the NTP identifying the efficient path if it is ignored by TNSPs; and, conversely, there is no value in the TNSPs aligning themselves with the NTNDP if the NTNDP is inefficient.

This raises the question of why TNSPs should align themselves with the NTNDP when they are not obliged to do so. We can see three possible drivers in this respect:

1. that a TNSP considers that it is obliged to act in the public interest (it may have an explicit corporate requirement to do so) or that it benefits by doing so (for example, by improving its public profile);
2. that the Australian Energy Regulator (AER) adopts[5] the NTNDP and establishes regulatory settings that financially incentivise the TNSP to follow the NTNDP; and
3. that a TNSP anticipates further policy intervention (eg that *mandates* alignment) should it fail to voluntarily align itself with the NTNDP.

Not being TNSPs ourselves, it is difficult for us to gauge the significance of these possible drivers. However, it is clear that they all largely depend upon the credibility of the NTP: that is, that the NTP is perceived – in the eyes of the public, the AER or policymakers, respectively – as having the necessary competence, independence and focus to identify and articulate an efficient transmission development plan.

Whilst this consideration is, rightly, highlighted in the issues paper in relation to NTP governance, it is also an important consideration in defining NTP roles and responsibilities. In particular, the NTP should not be so constrained in what it is allowed to do, or so reliant on the goodwill of other – perhaps antagonistic – bodies that it does not have the freedom or resources to allow it to establish its professional competence and credibility.

Finally, as we noted in our submission to the scoping paper, it is difficult to evaluate at a detailed level the preferred governance and implementation arrangements for the NTP until there is clarity on the NTP's objectives and responsibilities. We have therefore commented primarily on the latter issues in this submission.

So, in summary, the principles that have guided us in this submission are:

- that, where relevant, the NTP arrangements should align with the concepts and models presented in the ERIG report;
- that the assigned responsibilities and governance of the NTP must facilitate or promote its development into an expert and respected planning body; and,
- that the role and responsibilities of the NTP must be decided upon before detailed consideration of NTP governance and implementation.

[5] again voluntarily as the MCE has directed that the NTNDP may not bind the AER

2. Scope of NTNDP

2.1. Background to MCE Request

As noted in the previous section, to understand more fully the MCE's intentions in relation to the role and scope of the NTNDP, we should revisit ERIG's rationale for recommending it.

The NTNDP is introduced on P184 of the ERIG report, in the context of proposed two-step process to guide efficient transmission investment:

- the first stage is to "establish an overarching longer-term plan for the efficient development of the national transmission network" (P184 of the ERIG report)
- the second stage is "for the relevant TNSP to consult on individual projects to ensure that the specific works proposed are the most appropriate" (P185 of the ERIG report)

In short: stage 1 is the development of the NTNDP; stage 2 is the application of the RIT to individual projects by TNSPs.

ERIG considered that the Regulatory Test process should, *inter alia*,

> "ensure that options considered are consistent with the long-term directions of National Transmission Network Development set out in the [NTNDP]" (P184 of the ERIG report)

So, in summary, ERIG envisaged that:

- the NTNDP would be "overarching" and would provide sufficient scope and detail that TNSPs could assess whether individual projects were consistent with it; and
- there was a clear and straightforward delineation between the planning responsibilities of the NTP and TNSPs: the NTP would undertake the first stage of planning and TNSPs would undertake the second stage.

2.2. National and Regional Planning

However, the AEMC appears to be seeking to define an alternative (or perhaps additional) boundary between the NTP and TNSP planning roles. The AEMC notes:

> "The MCE direction to the Commission states that 'the new arrangements will be designed to provide an appropriate balance between the delivery of a co-ordinated and efficient national transmission grid and local and regional reliability and planning requirements.' 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." (P19 of the Issues Paper)

We believe that the AEMC has misinterpreted the MCE direction in this case. In our view, the MCE/COAG quote is simply a statement of their belief that their response to the ERIG recommendations will establish an appropriate balance between national efficiency and regional standards and accountability by:

- not mandating a move to a single, national reliability standard;
- leaving the final responsibility and accountability for actual transmission investment with TNSPs;
- requiring that the new regime does not delay regulatory approval and investment, particularly for urgent investments; but
- requiring that TNSP investment is consistent with the direction of the NTNDP.

We do not believe that the MCE intends there to be some geographical delineation of responsibility for transmission planning. This would certainly be contrary to the ERIG position that the delineation is at a *process* level.

2.3. Geographical Scope

ERIG envisaged the NTNDP as an "overarching plan" rather than as, say, a "comprehensive plan", suggesting that not all transmission issues or "elements" will be covered by the NTNDP. We acknowledge therefore that an issue arises of how the scope of the NTNDP should be determined.

The issues paper takes a prescriptive approach, presenting various options such as "interconnectors" and "national transmission flow paths". We do not see the need for or the benefit of such prescription, believing that it would be better to allow the NTP to develop its own approach, employing its judgement, expertise and some iteration to settle on an effective but practical model.

This does not mean, however, that the NTP has a "blank sheet of paper"; that it can do essentially whatever it likes. The NTP should be established with clear objectives as envisaged by ERIG. And it should be governed such that its performance against these objectives is assessed.

The AEMC would appear to be uncomfortable with providing the NTP with such flexibility noting that:

> "whatever definition is adopted, it must be clear and unambiguous in its allocation of responsibilities" (P20 of the Issues Paper)

We consider that this concern is misplaced. Firstly, as previously noted, the ERIG report is quite clear on delineation of responsibilities: the NTP undertakes "first stage" planning and TNSPs "second stage" planning. Clear delineation does not rely on a geographical dichotomy of "national" and "regional" planning elements.

Secondly, the imposition of prescriptive and arbitrary geographical delineations of planning responsibility is part of the *problem*, not part of the solution. Planning is seen as currently inefficient precisely because planning responsibility is divided between TNSPs using the arbitrary and prescriptive geographical delineations known as State

boundaries. Simply replacing one set of arbitrary boundaries with another set will not address the underlying problem; it will just cause the problem to be manifested elsewhere.

2.4. Level of Detail

The other main scoping issue for the NTNDP is the level of detail to be included, particularly the extent to which the NTNDP contains details of specific projects or developments and whether these projects are just those identified by TNSPs or whether the NTP develops its own projects.

Again, we can address this issue by reference to the objectives for the NTNDP as articulated by ERIG. The NTNDP is to be an "overarching plan" which is used by TNSPs to assess whether their proposed projects are consistent with longer-term development of the national grid. Based on the ERIG objectives, we would see several necessary characteristics of the NTNDP.

Firstly, the NTNDP should have sufficient detail so that TNSPs can adopt the outcomes from the plan as input assumptions to their RIT analyses. The TNSPs should not have to create their own assumptions.

Secondly, the plan must be developed through a "bottom up" rather than a "top down" process. That is, the NTP must determine the efficient future level of transmission investment and capacity by reference to the costs and benefits of individual expansion projects. A top down approach, where the NTP sets arbitrary targets for, say, transmission capacity or congestion costs, and then develops a set of projects to meet these targets will certainly be inefficient and inconsistent with the ERIG model.

Thirdly, the plan must identify and model a full range of augmentation options, not just those already identified by TNSPs. This is required for several reasons. Firstly, there is an underlying concern that not all efficient augmentation options are being identified by TNSPs. Secondly, the NTNDP will necessarily include some augmentation which is many years from development and so beyond the planning horizon of TNSPs, who are simply required to develop augmentation as and when it is required. Thirdly, if the plan is to be used by TNSPs to assess the appropriateness of TNSP project proposals, it must contain more than just TNSP projects, otherwise it just becomes self-referential and self-confirmatory: ie TNSP proposed augmentations would be found to be consistent with the NTNDP because the NTNDP only contains TNSP proposed augmentations.

The issues paper notes that such a level of detail would:

> "require the NTP to undertake its own system modelling and project development" (P23 of the Issues Paper)

We would agree with this assessment. Indeed, we think that it is critical for the expertise, independence and credibility of the NTP (as discussed in section 1.2 above) that the NTP possesses the full range of transmission planning skills and systems.

The issues paper raises many questions on the planning methodology, such as the range of scenarios to be considered. Again, we think that these matters are for the NTP

to determine based on its planning expertise. It is not likely to be helpful to place prescriptive constraints on the NTP in this respect.

2.5. Reviewing Variances from the National Plan

An important activity for any planning body is to review and analyse variances from the plan: ie the differences between planned and actual development. Variances may arise due to:

- forecasting errors in the NTP assumptions;
- errors in the NTP planning methodology or analysis;
- TNSP investment behaviour not aligning with efficiency objectives; ie TNSPs choosing to depart from the efficient development path set out in the NTNDP

It is important that the NTP review of planning variances identify and isolate these different possible causes. For the NTP, where it is the cause of the variance it creates an opportunity to improve its planning process. For TNSPs, regulators and policymakers, where the TNSP is the cause of the variance, it creates the opportunity to better align TNSP incentives with the NEM objective of efficient transmission investment.

This is not to say that the NTP should formally audit or monitor TNSP activities: for example, reviewing whether the TNSP has complied with the requirements of the Regulatory Test. This is properly the role of a regulator (ie the AER), not the role of a planning body. However, the NTP review process may shed light on these areas and provide additional information for regulators to act on.

In summary, we believe that the NTP should be required to undertake and publish a review on a regular (eg annual) basis. To the extent that the review is critical (even if only implicitly) of the actions of TNSPs or others, these parties should be consulted in its development.

2.6. Conclusions

In our view, the AEMC has misinterpreted the intentions of the MCE in establishing the NTP. The objective is not to create an artificial dichotomy between “national planning” and “regional planning”, to be undertaken by the NTP and TNSPs, respectively. Rather, it is to implement the two-stage planning process articulated by ERIG, in which an overarching longer-term plan developed by the NTP forms the context for individual investment decisions by TNSPs.

The NTP should have the professional capability and the regulatory flexibility to itself decide what these objectives mean for the scope and content of the NTNDP. It should not be constrained by prescribed concepts such as interconnectors or NTFPs. Prescriptive geographical delineation of planning responsibilities is part of the problem, not part of the solution.

3. Regulatory Test

3.1. Approach

We think that the goal of the Regulatory Test (RIT)[6] is conceptually straightforward: that it should require that *all relevant and material costs and benefits are included in the cost-benefit analysis*. We support any changes to the RIT which are consistent with this goal. In fact, we think that the existing RIT is largely satisfactory in this respect, with the exception of one conspicuous flaw: that it requires that economic benefits are excluded from the assessment of "reliability augmentations". MCE has directed that this flaw be addressed.

3.2. Design Options for the Regulatory Test

The scoping paper presented three possible options for correcting the existing flaw described earlier[7]. We do not support option 2, as it does not seem to constitute a proper cost-benefit analysis.

Option 1 represents an approach which is best aligned with our goal, in that all relevant and material costs and benefits, including reliability benefits, must be included and the chosen option must be the one that maximises the net benefit. Option 1 provides a transparent approach to reliability assessment, in that the reliability benefit must be estimated quantitatively as part of the RIT and so the assumptions and methodology leading to this estimate must be presented in the RIT analysis.

On the other hand, the adoption of option 1 would pre-empt next year's review of reliability standards, since the requirement that "all reliability obligations are explicitly valued in the analysis" would seem to imply the general adoption of probabilistic reliability standards - and it is not clear how deterministic standards could be explicitly valued.

Conversely, while option 3 does not appear to pre-empt the reliability standards review in this way, it suffers from a lack of transparency in that certain projects may be excluded from the RIT – on the basis that they do not meet the deterministic reliability standards – and there does not appear to be an obligation on the TNSP to provide details of these excluded options or why they do not meet the deterministic standards. Option 3 is also unsatisfactory in that it *allows* economic benefits to be included for reliability projects but does not *require* it.

Thus, the preferred approach must be contingent on decisions on reliability standards that are made pursuant to next year's review. On this basis, it is not possible for us to express a preference at this time.

[6] in the remainder of this submission, we use this acronym to refer to both the existing and future forms of the Regulatory Test

[7] these are presented on P38 of the Issues Paper

3.3. Proportionality

The issues paper discussed and proposes the concept of "proportionality": that is that the level of the analysis undertaken in the Test should be proportionate to the overall improvement in the investment decision-making process.

We agree with this concept; it is consistent with our goal that only *material* costs/benefits should be considered. However, we do not think that it is helpful or necessary for the RIT to be prescriptive about how this materiality is defined or established. The existing rules[8] appear to be satisfactory in this regard.

3.4. Other Aspects of the Regulatory Test

The issues paper notes that:

> "The AEMC's task is to develop a new test, which is capable of being applied consistently across all prospective projects." (P41 of the Issues Paper)

It then poses 5 questions[9] which do not seem to have relevance to the above goal and which are satisfactorily answered in the existing RIT. We do not think that it was the intent of MCE, or a recommendation of the ERIG report, that the RIT be rewritten from scratch and all of these various issues revisited. On the contrary, the MCE has directed that just two issues are addressed:

- the "amalgamation" of "reliability and market benefits" (ie the issue discussed above); and
- ensuring that "national market benefits" are included (discussed below)

We do not think there is a requirement or need for any other issues to be addressed.

3.5. National Benefits

The Issues Paper notes that:

> "The commission considers that the key concern for the MCE relates to the current custom and practice of how national benefits are accounted for by TNSPs in the investment assessment process, rather than any specific concerns with the legal definition of "national" adopted in the rules" (P46 of the Issues Paper)

We agree with this position. We believe that the MCE's concerns will be largely addressed by the NTP arrangements and by the amalgamation of the reliability and economic limbs of the test.

3.6. Role of NTP in the RIT

As noted above, the ERIG report describes a two-stage approach to transmission planning, with the NTNDP representing the first stage and the RIT the second stage. We have inferred that this model is supported by COAG and the MCE.

[8] see clause 5.6.5A(c)(6) of the National Electricity Rules
[9] the bullet points on P41 of the Issues Paper

In this model, there is no formal role for the NTP in the RIT. Indeed, prescribing such a role would confuse and undermine this model and may also have a detrimental effect of (unnecessarily) bringing the NTP into conflict with TNSPs. In particular, the NTP should not be required to formally review or audit a TNSP's application of the RIT[10].

However, the NTP may play an informal role in a number of ways. Firstly, the TNSP may choose (voluntarily) to adopt the planning methodology and assumptions set out in the NTNDP. The NTP may be asked to advise TNSPs on applying these.

Secondly, we would expect that most augmentation being considered by a TNSP would have been anticipated and analysed in the NTNDP[11]. A TNSP may seek clarification from the NTP on the detailed specification of the relevant NTNDP project and associated analysis.

Finally, where a NTNDP-identified project involved more than one TNSP, the relevant TNSPs might invite the NTP to act as a facilitator for the project, recognising that they would be able to perform this role expertly and independently.

3.7. LRPP

The NTP is to be established and governed as a planning and advisory body, not an executive body and, for this reason, we consider that it would be inappropriate for it to be assigned executive powers under the LRPP. Indeed, given that a project from the NTNDP is likely to be the subject of concern, the NTP would have an obvious conflict of interest in using these powers.

The existing LRPP rules empower the AEMC to direct a TNSP to undertake a RIT for the investment under contention. Here it is the TNSP that has a conflict of interest, since it is being asked to test a project for which it has – for whatever reason - no investment appetite. There may be benefit, therefore, in the AEMC instead directing the NTP to undertake the RIT, assuming that (as we would expect) the NTP has the necessary expertise.

3.8. Conclusions

We believe that the issues paper may have overstated the concerns with the existing RIT, giving the impression (or perhaps gaining an incorrect impression from the MCE direction) that it needs to be entirely rewritten.

Apart from the obvious flaw in relation to reliability augmentation – and the equally obvious solution – we do not believe that there is much wrong with the RIT. The bigger concern is over how it is applied – or, more significantly, not applied – by TNSPs. These concerns are being addressed through the NTP arrangements and do not require changes to the RIT, *per se*.

[10] although this issue may implicitly arise in the NTP's planning review, discussed in section 2.5
[11] the exceptions would relate to local planning issues not covered by the NTNDP, or urgent augmentation needs arising since its publication.

4. Other Issues

4.1. Overview

We consider that the primary matters to be addressed in this review are defining the scope of the NTNDP and correcting the flaw in the RIT. The various other issues raised in the Issues Paper are either of secondary importance or depend upon resolution of the primary issues. Nevertheless, we provide some brief comments on these other issues below.

4.2. Cross-border TUoS

Given the current emphasis on national planning arrangements and the need for "national market benefits" to be included in RIT analyses, it is anomalous that the costs of transmission investment are still recovered – through TUoS – almost entirely on a regional basis.

However, it is arguable whether this anomaly is a material impediment to the development of a "fully national transmission grid". Although we note that the Brattle Report identified it as a key policy choice[12], ERIG did not raise it as an issue, or even regard cross-border TUOS as a defining characteristic of a national grid. Correspondingly, the MCE direction does not mention this issue.

Nevertheless, we consider that this anomaly is potentially significant. It is certainly conceivable that a project that provides a net detriment to a TNSP's customer base[13] would, other things being equal, not be an attractive investment for a TNSP. However, it is probably less significant than the other impediments to national transmission identified by ERIG. In this respect, the significance of cross-border TUoS may only become clear once the NTP and RIT changes have been implemented.

Cross-border TUoS is a policy issue and may be difficult to resolve without clear policy guidance from the MCE. It is also very complex and has already been considered, but not satisfactorily resolved, in earlier transmission pricing reviews.

For these reasons, we do not think that it is necessary or appropriate for cross-border TUoS to be addressed as part of the NTP review. However, we think there would be potential benefits if, in the context of an MCE policy direction, the issue is reviewed in the future.

4.3. Governance

As noted earlier, we do not think it is meaningful or helpful to provide detailed comments on governance options until the role and responsibilities of the NTP have been determined. However, we would reiterate our overall goal that the NTP should be an expert, independent and credible body and the governance arrangements should be designed with this in mind. In particular:

[12] "International Review of Transmission Planning Arrangements": a report for the AEMC, The Brattle Group, October 2006 – P8

[13] as a result of customers bearing all of the costs but enjoying only a portion of the benefits

- the NTP should have its own dedicated resources and staff and should have access to related expertise from within NEMMCO where needed;
- the NTP should be independent of TNSPs and market participants;
- the NTP should be required to focus on the development of the NTNDP and be monitored against this objective;

4.4. Role of the NTP in relation to AER Revenue Determinations

We do not see any formal role for the NTP in relation to AER regulation of TNSPs. However, to the extent that the AER voluntarily adopts the findings of the NTNDP as input into its regulatory process, it may seek advice or clarification from the NTP. This relationship is probably best governed, at least initially, by a memorandum of understanding between the two parties, rather than formally being described in the Rules

4.5. TNSP Revenue Resets

We do not see why the establishment of an NTP should change the costs and benefits associated with aligning resets. The NTNDP will be updated and published annually and so is available for use by the AER irrespective of the timing of revenue determinations.

The timing of revenue determinations – and the associated costs and benefits - should be a matter for the AER. We do not think that this issue requires further consideration in this review.

4.6. Other Matters

Responses to all of the questions posed in the issues paper are provided in Appendix 1.

4.7. Summary

Given the lower importance of the issues discussed in this section, we would like to see the AEMC focus its resources on the primary issues of the NTNDP and the RIT. Issues associated with NTP governance and implementation could usefully be revisited once the NTP's role and responsibilities have been clarified.

5. Conclusions

In conclusion, the ERAA considers that:

1. The intent of the MCE direction is that the NTP, the NTNDP and the RIT are developed in accordance with the concepts and arguments presented by ERIG in their final report. This review should not be questioning or revisiting these models, but should simply be considering how they should best be implemented.

2. ERIG presents a planning model which clearly delineates the planning roles of the NTP and TNSPs and requires that the NTNDP is an overarching plan and not one which covers only a subset of the national transmission network. The findings of this review should be consistent with this model.

3. In particular, since the NTNDP is intended to be overarching, it is not appropriate at this stage to prescribe geographical limitations on the scope of the NTNDP. Indeed, prescriptive and arbitrary planning boundaries have been the source of present inefficiencies in transmission planning.

4. The RIT should require that all relevant and material costs and benefits should be included in the cost-benefit analysis, irrespective of whether the investment is driven by reliability needs. However, in the light of the pending review of transmission reliability standards, it is not possible at this stage to specify how reliability benefits should be determined under the RIT.

5. Although governance and implementation of the NTP is important, it is not possible to determine the best approach on these matters until the roles and responsibilities of the NTP have been clarified. Therefore, we will provide detailed comments in these areas at a later date.

Appendix 1: Responses to Questions in Issues Paper

The table below sets out our responses to the specific questions that are placed within boxes in the Issues Paper.

Issue	Response
Its proposed approach to the Review and its decision making criteria;	Agree
The materiality of the problems being addressed in this Review.	No comment
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?	Disagree, as discussed in section 2.2
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?	Impractical and inconsistent with MCE requirements, as discussed in section 2.3. The definition of "national" should be determined by the NTP in accordance with the ERIG model
Whether the current definition of National Transmission Flow Paths should be used in defining the scope of the NTP functions?	The definition of "national" should be determined by the NTP in accordance with the ERIG model
What other practical options exist for clearly and unambiguously defining the scope of planning issues within the scope of the NTP?	The ERIG report clearly and unambiguously scoped the NTP role, by defining a two-step planning process, with the NTP performing the first step
What range of scenarios should be required to be considered within the NTNDP?	This is a matter for the NTP to determine, in accordance with its responsibilities under the ERIG model
What level of detail should the NTNDP include in relation to options for, or solutions to, planning issues within its scope?	The NTNDP should establish a development plan, consisting of a set of detailed transmission projects which have been shown to be optimal against a specified cost-benefit methodology
In what specific ways might the NTP add value through greater involvement in the planning process, and how material would this added value be?	The value added is by creating the two-step planning process articulated by ERIG, to ensure that TNSP investment is consistent with a long-term national development plan

Issue	Response
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?	Power generation will still be covered by the SOO, although the NTP and NEMMCO may work together to ensure that the SOO are NTNDP are coordinated and consistent. Gas transmission planning should not be undertaken by the NTP, although assumptions on gas pipeline development may be required as part of the electricity planning. Electricity distribution will rarely have implications outside the local region and so does not require any planning at the national level.
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?	These may be included as background assumption but should not be planned by the NTP. In particular, the NEM philosophy does not involve centralised planning of generation or demand.
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 value would be limited and more than offset by the detriment created by the loss of focus on electricity transmission planning. Once the NTP is a proven performer in electricity transmission it could then potentially expand its scope to other areas.
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 coverage of the NTNDP should be determined by the NTP in accordance with the ERIG model
The appropriateness of applying a threshold test ($ value or MW) to determining the coverage of network assets in the NTNDP?	We agree that the problem with this is that small investments can sometimes have a large impact on transmission capacity. Better to leave the NTP with flexibility and discretion to decide where its focus should be.
Whether the forecast period for the NTNDP should be longer than the minimum ten years?	In practice, the forecasting horizon will not be clear cut. There may be detailed planning for ten years (say), followed by some conceptual or generic plans for another ten years (say), followed by estimates of “terminal benefits” over another forty years (say). These matters should be left to the judgement of the NTP

Issue	Response
The relationships between the NTNDP and other planning documents.	The SOO and NTNDP are closely inter-related as each provides some of the background assumptions for the other. Therefore, development of these needs to be coordinated. Given the MCE requirement that the NTP may not bind the TNSPs, the TNSP APRs will logically have to continue as separate documents, as TNSP investment plans may differ from the NTNDP.
Whether the NTNDP also contain research on issues relating to transmission network planning?	In identifying efficient transmission projects, the NTP should (as the TNSPs also should) be abreast of relevant current and future technologies and factor these into its planning decisions. It might even – at its discretion – commission such research where it considered that this would add value to the planning process.
The possible options for additional involvement for the NTP with respect to the planning carried out by the JPBs.	The NTP will develop planning methodologies and assumptions and, ideally, the JPBs would voluntarily adopt these. MCE policy would prevent the NTP from imposing these on JPBs. The NTP may be invited by TNSPs to facilitate or coordinate inter-TNSP projects. Again, this would be voluntary. LRPP and Regulatory Test involvement is discussed separately.
Whether making TNSP provide statements to explain any deviations from the National Plan would impinge on the TNSPs accountability and would be beneficial to market participants.	This would be a matter for the AER. In particular, where the AER considered that the NTNDP represented an efficient investment path it could establish incentives – within the framework of chapter 6A – for TNSPs to be aligned with it.
How should the current IRPC functions be incorporated into new national planning transmission arrangements?	The IRPC functions do not need to change, except in relation to the abolition of the ANTS. The NTP should be a member of the IRPC. When the NTP is a proven performer in transmission planning it might then be assigned the technical roles currently performed by the IRPC.
It is necessary and/or beneficial for the NTP to have advice from the state JPBs in exercising the IRPC functions, especially the technical work performed under the umbrella of the IRPC.	Not applicable, as the IRPC will retain its technical role.

Issue	Response
Should such functions (i.e. Co-ordination of Emergency response and Communication under the Responsible Officer Role; maintenance of Load Shedding Schedules and Sensitive Loads) be transferred to the NTP?	No. The focus of the NTP should be transmission planning
Are there other similar functions that could be transferred to the NTP?	Not as this stage.
Whether such additional functions be assigned to the NTP? [i.e. (a) Advice to MCE, (b) NCAS planning and procurement, (c) Responsibility for State Load Forecasts, (d) Monitoring the technical performance of TNSPs and their networks, (e) Generic Constraint equations for use in the NEMDE, (f) Advice to TNSP on Easements procurement]	The NTP should undertake these functions only to the extent that they are necessary to support transmission planning and that they are the best placed to undertake it – as opposed to obtaining the information from another party. In general, no functions should be assigned to the NTP which may detract from its focus on transmission planning.
The proposed broad framework for developing a new RIT?	The RIT should be a cost-benefit analysis where all relevant and material costs are included. There should be no arbitrary exclusion of certain benefits just because an investment is needed to meet reliability standards
The Commission's observations on the desirable characteristics of an RIT?	There should be no presumption to have more rather than less types of cost and benefit. Only material and relevant costs and benefits should be included. In some instances, there may be few types, in other cases many types. It is some times possible to decide, ex ante, that certain costs or benefits are not material. It is not always necessary to model every possible cost/benefit.
Whether the scope of situations subject to the RIT should include network reconfigurations and replacement expenditure?	We see no need to change the existing arrangements in this respect.
Whether the RIT should mandate the types of impacts to be included in any project assessment	We see no need to change the existing arrangements in this respect.
Approaches to valuing reliability benefits	Reliability benefits should be included where they are relevant and material
What the list of mandated impacts should be, and whether in particular competition and risk management impacts should be included.	The rules should mandate that all relevant and material costs/benefits are included, in particular competition and risk management impacts if these are relevant and material

Issue	Response
How, specifically, will a more comprehensive routine assessment of costs and benefits by TNSPs impact on planning timescales – and to what extent can this be addressed through the commitment of additional resources by TNSPs?	The TNSPs, just like any other NEM participant, should ensure that they have sufficient resources to undertake their obligations under the rules. There is no reason to suppose that they would be unable to do this.
How should the concept of proportionality be reflected in how the RIT is applied?	"Proportionality" means that costs/benefits do not need to be modelled where they are unlikely to affect the outcome or where the cost of analysis outweighs the benefits of inclusion.
Whether, the Commission is correct in its view that the existing text in the Rules determining the scope of 'national' benefits is sufficient for the purposes of the new RIT?	"national benefits" is not a different or new form of benefit; it just means that the benefits of an investment in all regions should be included, not just benefits in the TNSP's region. This is already implicit in the Rules, although it could potentially be made more explicit, particularly in relation to reliability.
If the current Rules remain, whether there would be benefit in expanding the operational guidelines on determining national benefits?	We see no need to change the existing arrangements in this respect.
What additional information should be released to support identification of options?	We see no need to change the existing arrangements in this respect.
What options must be included in the assessment?	We see no need to change the existing arrangements in this respect.
Whether the NTP should advise the TNSPs on the range of possible options to be assessed under the RIT.	We would expect that a TNSP would include investment projects from the NTP as RIT options to the extent that they were relevant and practical. The NTP should not provide specific advice on this unless a TNSP asks for it.
Whether, and why, the valuation of reliability benefits is consistent with the practical application of a deterministic reliability standard framework?	We do not understand the question. Reliability benefits should be included in the RIT to the extent that they are relevant and material, irrespective of whether deterministic or probabilistic reliability standards apply.
Whether there is a need for a more specific decision criterion for the revised project assessment process?	We see no need to change the existing arrangements in this respect.

Issue	Response
The Commission is keen to understand in more detail what stakeholders consider to be the strengths, weaknesses and wider implications of these four broad options [i.e. (a) Lead a process of co-ordinating and disseminating information on good practice in undertaking the RIT; (b) Recommend or specify certain elements of a methodology to be applied in undertaking the RIT; (c) Ensure compliance with how the RIT is applied; or (d) Take primary responsibility for undertaking the RIT in certain circumstances], and in particular views on the following questions	The NTP would develop a planning methodology and planning assumptions as part of its national planning role. To the extent that these are applicable to the RIT, it would be hoped that TNSPs would adopt them, although this would be a matter for TNSPs. The NTP should not have responsibility for undertaking the RIT or evaluating TNSP compliance. As ERIG makes clear, the NTP is solely responsible for the separate "first stage" in the planning process.
What value might the NTP add to the RIT process under each of the different broad options identified above?	Rather than add value, any direct NTP involvement in the RIT is likely to detract from its focus on the NTNDP, lead to conflicts with TNSPs and cause it to become a quasi-regulatory, rather than a planning, body.
What particular aspects of an RIT methodology might the NTP specify or recommend?	The NTP will develop a methodology for cost-benefit analysis as part of its national planning role. To the extent that this methodology is applicable within the RIT timescales it could be adopted and applied by TNSPs.
How binding should the views or recommendations of the NTP be on the party with primary responsibility for undertaking the RIT?	The NTP should not bind TNSPs. TNSPs already have one regulator (the AER); they do not need another. If the AER considers it appropriate that the TNSPs adopt the information provided by the NTP (eg a cost-benefit methodology) they can create incentives on the TNSP to do this.
How might a compliance and monitoring role interact with the AER's role of monitoring and enforcing compliance with the Rules?	It is entirely appropriate that the NTP should monitor variances between transmission plans and outcomes (see section 2.5 of the submission). However, as the NTP is not a regulatory body, it should not have any enforcement role.
However it is not clear to the Commission if there is value in the NTP taking over the AER role in monitoring the application of regulatory tests.	The NTP would monitor variances between plans and outcomes broadly and part of this might involve identifying variances arising from the application of the RIT. The AER, on the other hand, has a specific role in monitoring compliance with the Rules.
The purpose for the LRPP under the new arrangements	The purpose is unchanged.
Who should be responsible for the LRPP;	Responsibility should remain with the AEMC, for the reasons set out in section 3.7

Issue	Response
The status of the advisory role of the IRPC to the LRPP;	One would expect that the NTP would be in a better position than the IRPC to provide advice. However, this should be a matter for the AEMC to decide (in its LRPP role)
Any other comments regarding the application of the LRPP under the new arrangements.	Given it expertise and objectivity, it may be appropriate that the AEMC directs the NTP to undertake the regulatory test (in its LRPP) role, rather than a TNSP.
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?	Under the RIT, and the role of the NTP, outlined in our responses, there should be no reason why urgent or unforeseen investment is delayed. In particular, since the cost of any delay will be factored into the cost-benefit analysis, when the need is urgent it is likely that the project which can be commissioned fastest will show the highest net benefit.
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?	There is no need to redesign the RIT, for the reasons noted above.
Need for a proponent for reliability driven options	No comment
Appropriateness of the RFI process to "reliability investments"	No comment
The costs and benefits of aligning the timing of TNSP revenue determination, in the context of different models for NTP functions and NTNDP content – and in the light of the considerations identified as relevant by the Commission?	We do not see why establishing the NTP should change the costs and benefits associated with alignment. A NTNDP will be published each year and so is available for use by the AER irrespective of the timing of revenue determinations. The timing of revenue determinations – and the associated costs and benefits - should be a matter for the AER.
Whether, and why, the current (or amended) contingent projects mechanism represents an adequate alternative to the alignment of transmission revenue resets?	No comment. This is a matter for the AER.
How should the relationship between the AER and the NTP be defined?	The AER may choose to make use of information provided in the NTNDP and may seek additional advice from the NTP. These arrangements would be best agreed in an MoU between the two bodies.
What should be the basis upon which advice is provided, and what should be the status of any such advice? How should this be specified in the Rules?	The seeking and the provision of advice should be discretionary for both bodies, in line with their general roles and responsibilities under the rules. There is no need for the rules to prescribe these arrangements.

Issue	Response
What value will such arrangements add to the process of revenue determinations, and are they consistent with the COAG requirements in respect of process timescales?	This is a matter for the AER
Whether the implementation of the new arrangements will require any consequential amendments to Chapter 6A of the Rules?	No comment
Whether the current arrangements for inter-regional transfers between TNSPs are sufficient to support the co-ordinated development of a national grid?	The current arrangements are arbitrary and ad hoc and unlikely to support coordinated development
What would be the best approach to implementing a more formal inter-regional charging mechanism?	This should be the subject of a separate review to be undertaken by the AEMC, in response to a policy direction from the MCE
An appropriate form and composition for the NTP to carry out its functions	This is a matter that should be addressed once the role and responsibilities of the NTP are clarified
How board/committee/panel members and office holders should be appointed and for how long.	ditto
The Commission seeks comments on: The level of independence required for the NTP to carry out its functions.	ditto
Appropriate forms of accountability for the development of the NTNDP.	No comment
What should be the consultation arrangements between the relevant stakeholders and the NTP. Should these consultation arrangements be documented in the NER or another instrument	Consultation requirements should be similar to those for the SOO
Should the NTP have a separate budget and accounting requirement?	No comment
As the contemplated NTP functions deal with electricity transmission only, should gas market participants also contribute to the NTP's costs?	No
The appropriate balance between the NEL and NER for defining the NTP's role and functions	No comment
Should the NTP functions be subject to the Rule Change Process.	No comment
Whether, and if so how and where, should the information requirements of the NTP be defined?	No comment

Issue	Response
What, if any, powers should the NTP have to request or require information? And what obligations should parties have in respect of any such requests or requirements?	Rather than the NTP having the power to require information, a better approach would be to require TNSPs to disclose information.
Where should these rights and obligations be defined?	No comment
What should the relationship be between information held by AEMO and information available for use by the NTP?	No comment
The appropriate first publication date for NTNDP	A detailed implementation plan – including publication date – should be developed once the role of the NTP is clarified. Ideally, the NTNDP should be published at the same time as the SOO
The appropriate approach to developing the first NTNDP and what level of industry consultation should be allowed.	A similar approach should be taken as for the ANTS.
Should the NTP have the ability under the Rules to establish advisory panels? And what should the status/transparency of such panels be?	No comment
What are the main reasons why a 'hard' cut-over to the new arrangements might not be feasible, or otherwise appropriate?	A detailed implementation plan should be developed once the role of the NTP is clarified.
What specific transitional measures might be required to resolve any such difficulties with a 'hard' cut-over to the new arrangements?	A detailed implementation plan should be developed once the role of the NTP is clarified.
What are the reasons why transition from the current Regulatory Test to a new Regulatory Investment Test might require explicit management?	A detailed transition plan should be developed once the new RIT is finalised.
What issues would need to be provided for in such a transition plan?	A detailed transition plan should be developed once the new RIT is finalised.

Issue	Response
The Commission would welcome submissions in respect of these illustrative models [see separate Table 8.1 overleaf], and any relevant variants or alternatives (including hybrids formed of different aspects of the illustrative models), with reference to the criteria discussed in Chapter 1: Consistency with the specific wording of, and the broad intent underpinning, the direction provided by the MCE to the Commission in its letter of 3 July 2007; Solutions which are proportionate to the materiality of the problems being addressed; Application of good regulatory practice and design; Application of effective corporate governance and accountability principles; and Minimisation of implementation costs and risks – including costs associated with any duplication of functions.	We would not support any of the models in their entirety, although we support various elements of each of the models. The “Content of Plan” is discussed in section 2. The “NTP Involvement in Regulatory Test” is discussed in section 3.6 We do not believe that the NTP should be assigned any “Ancillary Functions” until it is well established in its primary role of developing the NTNDP. We consider that the decisions on “governance” should await clarification of the NTP’s role and responsibilities.