

13 August 2009

John Tamblyn
Chairman
Australian Energy Market Commission
Level 5, 201 Elizabeth Street
Sydney NSW 2000

Via website: www.aemc.gov.au

Dear John,

Draft Report – Review of National Framework for Electricity Distribution Network Planning and Expansion

Grid Australia makes this submission in response to the Australian Energy Market Commission's Draft Report in relation to its Review of the National Framework for Electricity Distribution Network Planning and Expansion (7 July 2009). The comments below focus on issues relating to joint planning and investment.

Grid Australia notes that the AEMC has clarified its position in the Draft Report in relation to joint investment projects involving more than one network service provider. Specifically, the AEMC proposes that the Regulatory Investment Test for Transmission (RIT-T) would apply to joint investments to facilitate consideration of whether any market benefits apply as well provide a comprehensive assessment of investment options. Grid Australia considers that while this approach addresses the issue of one regulatory test applying to jointly planned investments, it also potentially subjects a myriad of distribution projects to consideration of market benefits for which there may be no demonstrated need to do so – particularly given that the scope for market benefits arising from distribution investments is likely to be very limited.

The AEMC has also proposed two different cost thresholds applicable to the RIT-D and RIT-T, where the most expensive investment option has a capital cost of \$2 million and \$5 million, respectively. To address this issue, the RIT-T is to apply to joint investments. Further, the AEMC proposes that for joint investments between \$2 million and \$5 million, the RIT-T should also apply, although these projects would be exempt from the project specification and draft project assessment reporting requirements.

Grid Australia acknowledges that the AEMC has attempted to develop a flexible approach in the consultation and reporting requirements applicable to the RIT-D. In doing so, the AEMC proposes the application of a new Specification Threshold Test (STT) to tailor the consultation and reporting requirements of the RIT-D to each identified need and to ensure that consultation and reporting requirements are not only fit for purpose, but proportionate to their potential benefits.

Notwithstanding this, Grid Australia is concerned that the additional complexity introduced to the RIT-D process in general outweighs the benefits, particularly in relation to the relevant responsibilities applicable to TNSPs and DNSPs in relation to joint investment projects between \$2 million and \$5 million. Grid Australia also understands that the new distribution threshold will subject considerably more projects to the RIT-D process and public consultations – significantly more than the forecast 10-15 projects per DNSP per annum flagged at the workshops in respect of South Australia.

On balance, Grid Australia remains of the view that in the interests of administrative simplicity and efficiency, it would be appropriate to apply a consistent threshold of \$5 million to both the RIT-T and RIT-D, at least in the first instance. This would ensure that a reasonable number of DNSP projects are subjected to the public consultation process, thereby improving transparency, without creating additional and unnecessary administrative burden on the part of the businesses. Together with a requirement for DNSPs to develop and implement a non-network strategy, this would also ensure appropriate consideration of non-network solutions.

If you have any questions in relation to these comments, please contact Greg Hesse on (07) 3860-2632 or via email at Greg.Hesse@powerlink.com.au.

Yours sincerely,



Rainer Korte
Chairman
Grid Australia Regulatory Managers Group