



Reporting on drivers of change that impact transmission frameworks 2017

Draft stage 1 report published

The COAG Energy Council requested the Commission undertake a biennial reporting regime on a set of drivers that could impact on future transmission and generation investment. As part of this reporting, the Commission has published a draft stage 1 report presenting its initial analysis of the drivers of change that could impact on transmission frameworks. This 2017 review is the first time this reporting regime has been undertaken.

The draft stage 1 report

This draft stage 1 report is the first of two publications in stage 1 of this reporting regime. It presents the Australian Energy Market Commission's (AEMC or Commission) draft analysis on the drivers of transmission and generation investment, for stakeholder comment.

These drivers include government policies, technological developments and new business models and the variance in demand forecasts. The draft report also discusses other trends that impact on transmission and generation investment, including a number of rule changes and reviews that are currently underway.

The draft report considers the degree of uncertainty regarding future patterns of drivers of generation and transmission investment. For example, the current uncertainty regarding future government environmental policies means that it is difficult to predict the technology of new generation investment and therefore the future generation mix.

Next steps and timing

The Commission welcomes stakeholder submissions on the analysis presented in the draft stage 1 report. The submissions received will be a key input into the final stage 1 report, to be published in July 2017. The final stage 1 report will comprise the Commissions' final analysis of the drivers of change in transmission and generation investment, and will also include a decision on whether stage 2 reporting will be required or not.

The subject matter of this review is also relevant to the strategic priorities process, which will provide strategic advice on the wholesale energy sector to inform the COAG Energy Council's own priority setting. Stakeholders are welcome to, through the consultation process for this review, provide comments and feedback that they think is relevant for the Strategic Priorities work.

The deadline for submissions is **16 May 2017**

Background

In February 2016, the COAG Energy Council requested that the AEMC implement a biennial regime to report on a series of drivers that could impact future transmission and generation investment, in accordance with a terms of reference and under section 41 of the National Electricity Law.

The Commission has published a draft stage 1 report presenting its initial analysis of the drivers of change that could impact on transmission frameworks.

In July 2016, the Commission prepared a Statement of Approach, which set out our proposed methodology and approach to consultation that will be adopted in conducting the biennial reporting, as outlined in the terms of reference. We also proposed to commence the reporting in January 2017, with the final stage 1 report to be published mid 2017. The reporting will then proceed on the basis set out in the terms of reference.

The terms of reference set out that the AEMC will undertake a two-stage approach to the reporting of conditions that influence transmission and generation investment:

- Stage 1 - In the first stage, analysis is to be undertaken on a set of drivers that influence the co-ordination of transmission and generation investment. The aim of the first stage is to determine whether there is a substantial change in a driver(s) such that it suggests that there is an environment of major transmission and generation investment and that this investment is uncertain in its technology and location. If it is determined that such conditions are present, the reporting will progress to the second stage.
- Stage 2 - The second stage is to be a more in-depth assessment of how the driver(s) have changed, to suggest that investment of an uncertain nature is likely to take place. The second stage would also have an assessment of whether the implementation of a model that would introduce more commercial drivers into transmission and generation investment would meet the National Electricity Objective.

A decision on whether the reporting will progress to stage 2 will be included in the final stage 1 report.

Electricity Network Economic Regulatory Framework Review

It is also worth noting that the COAG Energy Council in 2016 also tasked the AEMC with monitoring developments in the energy market, largely focussed on the increased uptake of decentralised energy, and provide advice on whether the economic regulatory framework for electricity transmission and distribution networks is sufficiently robust and flexible to “continue to achieve” the national electricity objective in light of these developments. The AEMC will publish its findings on 11 July this year. This is a separate piece of monitoring compared to this project.

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