



# Department of Primary Industries

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Telephone: 03 9658 4160  
Facsimile:  
ABN 42 579 412 233

15 April 2009

Dr John Tamblyn  
Chairman  
Australian Energy Market Commission  
PO Box A2249  
Sydney South  
NSW 1235

Our Ref:

Dear Dr Tamblyn,

## **Distribution Planning Review - Scoping and Issues Paper**

I write in response to the Australian Energy Market Commission's (AEMC) request for submissions in its review into the current electricity distribution network planning and expansion arrangements in the National Electricity Market (NEM).

The Department of Primary Industries (DPI) has supported the development of national arrangements for regulation of electricity distribution services in both the economic and non-economic spheres, drawing on the experience of Victoria in moving toward an efficiently regulated energy sector.

The AEMC has proposed a number of different objectives and issues which may be addressed through the review, and sought feedback on which of these matters the relevant jurisdictions consider priorities. DPI agrees that all the potential focuses of the review are worthy of attention, although many issues may be revealed to be adequately addressed by current arrangements. The issues which DPI would like to see focus upon, in the light of industry feedback that the current arrangements could be improved, are:

1. The need to facilitate connection of customers and embedded generators to the network
2. Sending appropriate locational and cost signals in advance to potential connection applicants through appropriate technical information
3. Aiding transparency in the management of networks in a safe and reliable manner

DPI does not intend to comment extensively on the detailed planning issues at this stage. Instead, this submission will address some of the AEMC's issues in a policy context.

Victoria's distribution planning regime addresses general distribution planning and transmission connection separately, with distributors being obliged to produce general distribution planning reports for their own systems, as well as a *joint* transmission connection



planning report along with all other distributors. This is in acknowledgment that Victoria's electricity grid is a single system with multiple owner and operator bodies, for which the highest level of planning is undertaken by VENCORP, the transmission system planner.

This regulatory arrangement was established to provide a high level of public-interest planning for the shared network, whilst allowing distributors to plan for the management of their own systems in accordance with the applicable codes and the incentive regulatory regime.

DPI considers it important that this aspect of planning is not lost in a move to national arrangements. Assisting with overall planning of the transmission grid is a responsibility involving all distributors, and one which is best undertaken jointly.

This planning regime is considered to be functional for Victorian circumstances, but experience suggests that it has scope for improvement. The requirement to prepare joint transmission planning reports has not prevented mismatches between the regulatory arrangements for distribution and transmission businesses where provision of local connection assets is concerned. An investment which is considered prudent with net market or reliability benefits by one business in the context of its own system may be considered by the other business to lack these benefits and be treated accordingly. The potential to:

- a. utilise the distribution planning regimes to agree on prudent expansion and augmentation plans ahead of time; and
- b. consider a project with transmission and distribution elements as a single project

would be a major improvement deliverable by the national framework.

The AEMC should consider whether joint reporting on transmission connection by all distributors on a per-transmission system basis, or nationally in concert with the National Transmission Planner (NTP) should be undertaken.

DPI also is concerned to preserve the ability for governments and regulators to assure themselves, through reporting by distribution businesses, that networks are being safely and reliably managed, and that adequate planning is being undertaken to ensure this continues. This is particularly important where governments are not the owners of the networks.

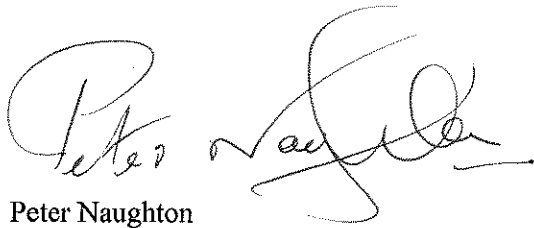
Finally, DPI wishes to ensure that the distribution planning framework makes adequate provision for the informational needs of potential connectees to the networks. Provision of useful information to potential connectees has distinct benefits in allowing for better locational choices, technology choices, lower costs and more timely connections where the state of the local network is relevant for a connecting party.

Further comments against some of the issues raised by the AEMC are contained in Table 1.

If you wish to discuss this submission further, please contact Raif Sarcich, Senior Policy Officer, Energy Sector Development Division on (03) 9658 4160.



Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Naughton', written in a cursive style.

Peter Naughton  
A/ Executive Director  
Energy Sector Development Division



**Table 1:** Further comments on AEMC Scoping & Issues Paper

No.	Issue	Comment
1	Proposed scope of review	<p>DPI considers that the scope of the review is appropriate. Matters which are of particular concern to DPI are:</p> <ol style="list-style-type: none"><li>1. The need to facilitate connection of customers and embedded generators to the network</li><li>2. Sending appropriate locational and cost signals in advance to potential connection applicants through appropriate technical information</li><li>3. Aiding transparency in the management of networks in a safe and reliable manner</li><li>4. Aiding co-planning of shared network assets with other distribution companies and Transmission Network Service Provider (TNSP)s</li></ol>
3	The interaction between transmission and distribution network planning	<p>As previously noted, DPI considers that maintaining focus on planning for shared network needs is an appropriate focus of the review. The AEMC may wish to consider integration of this responsibility with the responsibilities of the NTP.</p>
4	In addition to emerging constraints, what other types of potential problems of the distribution network should be included in annual planning reports?	<p>DPI considers that any constraints which potentially affect the safe and reliable operation of the network should be a particular focus. Clause 3.5.2 (b) of the Victorian Electricity Distribution Code requires a distributor to include:</p> <p>“an assessment of the magnitude, probability and impact of loss of load for each subtransmission line and zone substation”</p> <p>The AEMC could assess whether these kinds of factors can be laid out in such a way to ensure that there is transparency around whether networks are being operated in a safe and reliable manner.</p>
7	What factors need to be considered to ensure the level of detail of the information provided is useful and appropriate to stakeholders?	<p>The AEMC should bear in mind that the distribution planning reports are an important proxy and collection point for information which is pertinent and required in processing applications for network connections. Detail which is missing in planning reports may nevertheless need to be</p>



		collected in order to facilitate connection to the network. Collecting this information in advance may – in addition to the benefits of transparency – provide for better locational signals to connection applicants, lower costs of connection and faster processing of connection applications. The AEMC should weigh the costs of collection of this information for planning reports against the potential costs in delayed or deferred connections to the market more broadly.
16	What is the appropriate list of costs and benefits associated with distribution projects, and should that list be mandated in the NER?	DPI notes that where an individual project encompasses both transmission and distribution elements, the costs and benefits of both sets of work should be taken into account and, where possible, assessed as a single project to avoid clashes between the regulatory frameworks and to ensure the efficiency of the overall power system.
28	The appropriate balance of specification on the national framework between the NER and supporting guidelines	DPI considers that the appropriate balance will be indicated by the degree to which aspects of the distribution planning framework are linked to the economic regulatory framework. Where aspects are integrally linked – as in the case of the assessment of individual projects against the proposed RIT-D – then there is a case for allowing discretion to the Australian Energy Regulator (AER) in the administration of these functions.
29	Should “urgent” investments be exempt from aspects of the national framework? If so, how should “urgent” be defined?	DPI agrees with the AEMC’s statement that “ <i>any exemption would need to be drafted in a manner that prevents any opportunity for the business to exploit the exemption</i> ”. Nevertheless, provision for extraordinary works and expenditure may be needed, particularly in the wake of natural disasters. Victoria’s recent devastating bushfires revealed a range of problems in the aftermath, particularly in assessing what network infrastructure should and should not be rebuilt in the devastated areas, and in what manner. The AEMC should take these scenarios into account when developing arrangements for extraordinary circumstances.
30	What consequential amendments should be made to other arrangements to	The interface between distribution planning arrangements and the NTP function should be examined as part of this review with a view to



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reflect the implementation of achieving integrated and efficient planning.  
the national framework?

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