

16 May 2017

John Pierce
Chairman
Australian Energy Market Commission
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Dear John,

Draft Stage 1 Report - Reporting on Drivers of Change that Impact Transmission Frameworks

AusNet Services welcomes the opportunity to make this submission on the AEMC's Draft Stage 1 Report on drivers of change that impact transmission frameworks.

The objective of the Stage 1 Report is to determine, via high-level analysis, whether drivers of transmission and generation investment in the NEM have changed substantially. Given that the review emanates from final recommendations of the Optional Firm Access, Design and Testing Review (OFA Review), which was concluded in June 2015, we consider this to be the appropriate reference point.

The OFA Review concluded that in the prevailing environment, changes to the framework to enable better trade-offs between the cost of generation and the cost of transmission would not contribute to the National Electricity Objective (NEO). This was because it was assessed that investment and demand patterns were relatively predictable and investment was low.

Accordingly, the Stage 1 Review should clarify whether such a subdued environment continues to exist. It appears self-evident that it does not. Events in the National Electricity Market (NEM) in the last year have highlighted a rapidly changing generation mix and triggered studies into major new transmission system assets. The Draft Stage 1 Report confirms that considerable generation investment is projected and uncertainty (unpredictability) as to where and how this might arise. This can be seen from the conclusions in Chapters 4, 5 and 6 of the draft report.

New generation resources, and their locations, will reshape the electricity system, i.e. including the transmission grid that delivers this energy, in the next 10 years. The central question is whether we have the right transmission frameworks to support efficient generation and transmission investment that will promote the long term interests of consumers.

In Box 6.3 of the Draft Stage 1 Report, the AEMC notes submissions made to the Independent Review into the Future Security of the National Electricity Market (the Finkel Review) by stakeholders from different market participant sectors, including AusNet Services, identifying that generator access has become a key framework issue.

The two stage process of the review is now too laborious in the changed circumstances facing the sector. The AEMC should be flexible and take a more pragmatic approach, acknowledging the changed landscape for energy policy, including the Finkel Review.

Therefore, the Stage 1 Report should, as a minimum, conclude that action is required to improve co-optimisation of generation and transmission network investment, involving a set of complementary reforms (not necessarily including OFA) to be identified from the various



reviews currently underway. This will allow the AEMC to then proceed directly to engaging in the development of framework changes.

We would be pleased to discuss our submission with you. Please do not hesitate to contact Kelvin Gebert, our Manager Regulatory Frameworks, if you have any queries.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Stutton", is positioned above the typed name.

General Manager Regulation and Network Strategy