SUBMISSION TO THE CONSULTATION PAPER-TRANSMISSION PLANNING AND INVESTMENT REVIEW

STAKEHOLDER FEEDBACK TEMPLATE

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in the consultation paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to provide feedback on issues raised. This template is not exhaustive and therefore stakeholders are encouraged to comment on any additional issues or suggest additional solutions. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper.

SUBMITTER DETAILS

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PROJECT DETAILS

NAME OF RULE CHANGE:	Transmission Planning and Investment Review
PROJECT CODE:	EPR0087
PROPONENT:	AEMC
SUBMISSION DUE DATE:	30 September 2021

INTRODUCTION- ASSESSMENT CRITERIA

1. Do you agree with the Commission's proposed assessment framework for this Review?	Yes, it is extremely important to identify and rectify issues and policy gaps with the existing regulatory frameworks in relation to the timely and efficient delivery of major transmission projects.
2. Are there any additional criteria the Commission should consider as a part of its assessment framework?	There is as an opportunity to develop an innovative community guided approach that seeks to mitigate socio-economic and environmental impacts during a project's inception. This will minimise or eliminate future material project delays and costs.

CHAPTER 3 – ISSUES IN THE REGULATORY FRAMEWORK AND PROCESSES FOR PLANNING OF MAJOR TRANSMISSION PROJECTS

Implications of increased uncertainty for the ex-ante incentive-based regulatory framework	
3. Do you agree with that the identified factors contribute to an increase to the uncertainty surrounding major transmission projects, relative to BAU projects? Are there other factors that should be taken into account?	Yes, the identified factors do increase uncertainty. Community opposition adds further uncertainty and material delays that signals a new challenge that will be faced by every new transmission project unless an enhanced regulatory framework is adopted, and community stakeholders actively participate in the decision-making process.
4. Do you consider that the current ex-ante incentive-based approach to regulation is appropriate for major transmission projects? Why? Are there opportunities to drive more efficient expenditure and operational outcomes?	No, the focus on least-cost deincentivises TNSPs from providing the best whole-of-system long-term solution. A fundamental concern with the current regulatory framework is that the net economic benefit of a project does not consider socio-economic or environmental disbenefits, the Triple Bottom Line (TBL) over the life of a project. A fit-for-purpose regulatory framework should consider long-term safeguard of consumer and environmental benefits. A focus on cost only will not always result in the best grid solution.
5. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	Yes
Economic assessment of major transmission projects	
6. Are there opportunities to streamline the economic assessments of ISP and non-ISP projects without compromising their rigour? If so, how could the framework be streamlined?	Yes. Route selection should try to avoid, minimise, or offset impacts on important environmental, social, cultural and landscape values and avoid community and land use conflict by utilising existing rights-of-way and considering new/emerging technologies such as undergrounding as a preferred transmission option. Feasibility of the preferred route should be determined early using GIS desktop analysis. Currently, project assessment is conducted on an economic basis first and social and environmental impacts

	considered only once the project is committed and relies heavily on mitigation activities to reduce (not avaoid) these impacts. The economic assessment could be conducted as an overlay to an existing accepted list of socio-economic and environmental condtions, as a marker of minimal lifestyle conditions to be preserved, regardless of economic benefit.
7. Do you agree that the RIT-T has a clearer value-add in relation to non-ISP projects? If not, why?	No. Under the current regulatory framework, community consultation, impact avoidance and mitigation measures are dealt with by the proponent, often through the Environment Effects Statement (EES) process, the most rigorous environmental impact assessment process in Victoria. This often-lengthy process results in material project delays, increased costs and increases the risk the project will not proceed at all. This then impacts the Victorian economy, energy infrastructure investment, communities, and Victorian energy consumers. By avoiding and/or mitigating obvious impacts as part of the inception (project design) stage, prior to tendering the project, the EES process, if required at all, would be streamlined significantly.
8. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	Yes. This is critical.
Benefits included in planning processes	
9. Are the benefits included in current planning processes sufficiently broad to capture the drivers of major transmission investment? Does the scale and pace of the NEM's energy transition necessitate inclusion of other classes of market benefits or wider economic benefits? If so, what kind of other classes of market benefits or wider economic benefits should be included?	No they are not sufficient. There is a need for reformed RIT-T framework that allows consideration of all long-term economic benefits from utilisation of newer/emerging technologies including batteries, distribution-based solutions, HVDC and undergrounding. The benefits of route selection to increase resilience of transmission infrastructure, and to minimise impacts on communities and the environment are costs that should also be considered when assessing cost:benefit of each project through the RIT-T process. Although this may extend the RIT-T process slightly, significant time savings are rewarded with less hold ups (and associated costs) to project implementation
10. Are major transmission projects failing to satisfy economic assessments because certain benefits (market or non-market) are not permitted to be quantified?	Yes. By not considering the more expensive technologies (e.g. in-ground HVDC), the economic benefits arising over the life of the project (e.g. reduced energy losses, reduced maintenance costs, greater supply security, increased network flexibility), are not being considered and hence the viability of the project, long-term, not

	quantified.
11. Are changes warranted to the manner in which carbon emissions inform transmission planning and regulatory processes?	Yes. Victoria's forests and natural systems absorbed around 19% of Victoria's emissions in 2019. The removal of this benefit through ill-conceived route selection, habitat fragmentation and vegetation clearing create a negative impact on climate change. Planning policy needs to be developped that insists on route selection that avoids this negative impact. Consideration of the carbon emissions associated with differing technologies (e.g. overhead HVAC, overhead HVDC, inground HVAC, inground HVDC) should be included when assessing the long-term economic benefit of a proposed project. These costing should also consider ongoing emissions associated with system failures and remedial actions required for breakdowns, repairs, scheduled maintenance activities. As for economic benefits, carbon emission should be quantified and considered on a whole-of-life basis for proposed projects
12. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	Yes
Guidance on hard to monetise benefits	
13. What classes of market benefits are hard to monetise? Is there a way that these benefits could be made easier to quantify?	Benefits to community, the environment and resilience. Energy Grid Alliance are not economists so can not provide advice on how these benefits can be quantified. Quantification of benefits to community and environment could include land value impacts, costs of protecting flora and fauna habitats, etc. Resilience of networks, is much more easily quantified utilising historical examples and trends in infrastrauctures failures and restorations, supply interruptions, etc. True cost versus anticipated cost can be calculated retrospectively for previous completed projects over their lifetimes, for various technology types.
14. Would guidance on hard to monetise benefits improve the timeliness at which projects proceed through the regulatory process?	Yes. Historical costing and benefit analysis of previous projects might demonstrate the longterm efficiencies of different technologies (e.g. inground HVDC) which could then be utilised as a benchmark against which other technologies considered for each project can be measured.
15. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	Yes.
Market versus consumer benefits test	
16. Do you consider that there are certain changes that have occurred in the energy sector that warrant reconsidering the merits of a market versus	The uncertainty of determining market benefits due to the volume of renewable generators and storage facilities entering the market, increased competition, and changing regulations make determining the market

consumer benefits test? If yes, what are these changes and why do they require revisiting this issue?	benefit challenging. The increase in pass-through applications also make consumer benefits difficult to determine. The market-benefit focus of the current RIT-T process means that the needs and future direction of the transmission industry is ultimately being driven by the opinions of the industry itself, with a heavy focus on cost, rather than being driven by the needs and expectations of consumers as they see them. This often results in ongoing use of 'cheap' outdated technology and methodologies which can be at odds with ideals of the National Electricity Objective and consumers' basic expectations for lifestyle and environmental protection, network resilience and supply security.
17. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	If the RIT-T were expanded to include true market and consumer benefit consideration, it would be essential that the model were sound and applied in a structured and consistent way. Even then, there would be a range of other obstacles to overcome, not fully addressed by the RIT-T process.
Treatment of non-network options	
18. Do you agree that there are barriers for non-network options in economic assessments? If so, do you agree with the barriers identified? Are there any further barriers? How should these barriers be addressed?	Yes, I agree there are barriers against non-network options as identified. Again, if economic assesments are industry/network focussed, they will always be biased in favour of furthering network development. A more robust assessment protocol, incorporating the full range of consumer expectations for lifestyle and environment protection, network resilience and supply security (not just cost) should open-up consideration to include non-network options. Lack of competition and the presence of monopolistic market conditions will always discourage the assessment of non-network options.
19. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	Yes

CHAPTER 4 – ISSUES IN THE REGULATORY FRAMEWORK AND PROCESSES FOR TRANSMISSION INVESTMENT, FINANCING AND DELIVERY

Balancing TNSP's exclusive right to build and own transmission projects	
20. Are there features of financing infrastructure projects used in other sectors that should be considered in the context of the efficient and timely delivery of major transmission projects?	No response to provide
21. Should the delivery of transmission projects be made contestable? If not, why?	Yes. The presence of monopolistic market conditions discourages competition and exploration of technically

	supperior options.
22. What options, other than changes to the right of TNSPs to provide regulated transmission assets, could be considered to ensure timely investment and delivery of major transmission projects?	Involving the community in the route selection process and adopting community supported guidelines will further reduce excessive delays resulting from community conflict and push-back.
23. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	Yes
Treatment of of 'early works'	
24. Do stakeholders seek further clarity on the meaning of preparatory activities and early works?	No
25. Should the Commission consider how the costs of early works can be recovered?	Yes
26. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	Yes
Processes for jurisdictional environmental and planning approval	
27. Would additional clarity on cost recovery arrangements for preparatory activities or early work improve a TNSP's ability to meet jurisdictional requirements in a timely manner?	Yes
28. Do jurisdictional planning and environmental requirement intersect with the national transmission planning and investment frameworks in ways that are not discussed above and may require further consideration?	A fundamental concern with the current regulatory framework applied to the RIT-T process is that the net economic benefit equals the market benefit less project establishment costs, it does not consider socio-economic, environmental disbenefits or community concerns, the Triple Bottom Line (TBL) across the life of the project.
29. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	Yes

OTHER COMMENTS

30. Please provide any further comment relating to issues discussed in the	Having routing and siting decisions guided by community through a more consistent rationale is by far the

chapters 1-4 of the consultation paper.	greatest benefit, particularly when considering potential environmental, socio-economic, legal and legislative consequences. Community supported framework will produce more consistent, defensible, and transparent energy transmission route decisions. Care needs to be taken to ensure that RIT-T process is not diluted, but rather enhanced to ensure that National Electricity Objective principles are considered in full and that consumer needs drive the transmission network development process, not just the desires of the TNSPs.
31. Please discuss any further issues the Commission should take forward in this review in relation to topics covered in chapters 1-4 of the consultation paper.	No further comments

TEMPLATE FOR MATERIAL CHANGE IN NETWORK INFRASTRUCTURE PROJECT COSTS RULE CHANGE REQUEST

CHAPTER 5 – MATERIAL CHANGE IN NETWORK INFRASTRUCTURE PROJECT COSTS RULE CHANGE REQUEST

Who should decide whether whether the RIT-T must be reapplied?	
32. Should this decision remain the responsibility of the proponent or should it be a matter for the AER? Why?	As the regulatory authority, the AER should be responsible for reapplication of the RIT-T. There is no incentive for a proponent to acknowledge a material change in circumstances or self-reapply the RIT-T. Incentives should exist for the Proponent and AER to identify significant changes to scope of the project which

	will result in an overall improvement in socio-econnomic, environmental, resilience, service and security of projects. Re-scoping should be encouraged if significant consumer and network benefits are identified. For example, the scope of the WVTN Project could be changed significantly to include benefits of implementation of the new REZ and ISP plans, released after the Project had been decided. This 'smart' approach would allow the opportunity to benefit from the cost savings of considering bigger-picture and longer-term infrastructure developments.
33. If the decision remains with the proponent, should the AER have the right to test that opinion?	Yes. It is the view of Energy Grid Alliance that the AER represents the authority on this and should maintain full control to independently drive the principles of the National Electricity Objective.
Cost thresholds	
34. Should the NER include a requirement to reapply the RIT, or update analysis, when costs increase above specified thresholds? If so, do you have a view as to what those thresholds should be?	Yes. This threshold should be no greater than 20%. If a RIT-T is well informed and considers the environment, communities, resilience and applies best planning practices, this threshold represents a suitable margin of error. This will also direct the RIT-T assessment process to be become more comprehensively completed in the first instance, so that the likely need for variations can be minimised and time and cost blowouts associated with latter changes, minimised at inception.
35. Do you consider this requirement should apply to all RIT projects or only those above a particular cost threshold/s? If so, do you have a view as to what the threshold/s should be?	Threshold should apply to all RIT-T projects
36. Do you have any views regarding the suggested alternative "decision rule" approach?	No
37. Should updated project cost data be provided to AEMO to help improve the accuracy of the ISP?	Yes, in all instances. If AEMO is the proponent for the RIT-T, AEMO should provide updated cost data to the AER to hold AEMO to account. The AER's understanding of the proponent's cost allocations would be critical in understanding if all relevant considerations were made with accurate weightings assigned.
38. Do you have any other suggestions regarding alternative ways to manage cost increases?	The greater the comprehensiveness of the initial costing of projects, the less chance of needs for unexpected scope and cost-based changes arising. The robustness of the initial assessment will also reduce the occurrence of projects being completed, which have lost the benefits expected and require additional projects to further advance the desired outcomes. This duplication is not only costly, but also nullifies the benefits achievable from alternative project options which were initially discounted because of higher cost or lower economic benefits. The RIT process could be modified to, not only more-comprehensively define the costs and benefits of alternative options, but to also foreshadow alternative Project options based on future potential industry and technology changes (e.g. decrease in cost of network batteries, decreasing cost and increasing efficiencies of

	inground HVDC technology). With this approach, the RIT outcome could identify a current preferred option and a number of other viable options (e.g. Plan B, C, D) acknowledged as 'superior' under certain changing industry, economic and technological conditions. The initial RIT decision would then allow for change in project scope without needing to under the full RIT assessment again, but rather undergo a minimal review to ratify that the trending changes do in-fact indicate a substancial improvement of outcome related to cost and other benefits). Mitigating the impacts of energy transmission networks early will simplify the complex energy transmission routing process, will produce more accurate cost assumptions, will streamline and expedite new network investments.
Requirements when reapplying the RIT	
39. Should the requirement to reapply the RIT be more targeted?	Yes. Targets considered could include also potential future trends in technology and broader infrastructure plans and the benefits associated with regards to costs, flexibility, resilience and security.
40. Should any additional analysis and modelling that is required to be undertaken be published and subject to public consultation?	Yes. As the focus on these major infrastructure projects is consumer needs driven (as per the NEO), it is necessary, through public consultation, for the community to be confident that these changes continue to align with these objectives.
Trigger to reapply the RIT	
41. Do you have any views as to how the requirement to reapply the RIT should be given effect, including for contingent and non-contingent projects?	Any change in circumstances that diminishes the need for a major project or alters the net market benefit should trigger a requirement for RIT application. RITs are an often-lengthy process and rapid advancements in technology can mean projects may no longer be required or can be delivered more efficiently. Again, in an effort to streamline asessments and minimise duplication, identification of multiple contingent project options (Plans A, B, C, D) in the RIT decision, all Contingent and major Non-Contingent projects would predefine developing trends and changes that might trigger a re-application/review of the RIT
42. Should there be a cut-off point (e.g. once the AER approves the CPA, or once construction commences) beyond which any requirement to update analysis cannot be triggered? If so, what would be an appropriate cut-off point?	A thorough project costing should be provided to the AER before construction commences. Should the project cost be greater than the net benefit (calculated over the life of the project), the project should be cancelled. Alternatively, as above, if the AER has approved a RIT which includes multiple contingent project options, developing industry trends and technology changes will be obvious (against forecasts) and the increasing viability of the contingent projects scopes will become apparent. Planned regular reviews of these trends could be completed as part of Contingent and major Non-Contingent projects. In this way once a change in scope is

	warranted, a project "cut-off" point would be replaced by a "scope change" point.
43. Should there be a limit on how many times RIT analysis must be updated?	No. It is in the best interest of energy consumers that projects always provide a benefit to consumers. Setting a limit on RIT analysis removes accountability of the proponent. If the AER has approved a RIT which includes multiple contingent project options (as above), the RIT would become a living record of initial decisions, review and reactions to ongoing industry, technology and infrastructure planning changes. The RIT process record would then also be verification of ongoing compliance with changes to industry objectives, broader infrastructure plans and long term socio-economic benefits.
Should RIT cost estimates be more rigorous?	
44. Do you consider that the current level of rigour used for RIT cost estimates is suitable? If not, what level of rigour is appropriate? In particular, would it be appropriate to require an AACE 2 estimate (i.e. a detailed feasibility study) for each credible option?	No. Transmission network projects are being held up by a complex regulatory regime that subjects transmission projects to excessive delays. Push-back from communities, concerned about the impact of overhead energy transmission is also becoming recognised as a major delay factor with escalating cost impacts on projects. This community opposition adds further delays and signals a new challenge that will be faced by every new transmission project unless an enhanced regulatory framework is adopted, and community stakeholders actively participate in the decision-making process. There is an opportunity to develop an innovative community guided approach that seeks to avoid socio-economic and environmental impacts during the project's inception. This will minimise or eliminate material project delays and costs. Adopting this framework will streamline infrastructure investment and increase the overall net benefit to Victorian economy and energy consumers. It would be appropriate, from a "good business" perspective, to have a full understanding of the aspects of a detailed (e.g. AACE 2) feasibility study, but more importantly, the ability to justify that appropriate rigour has been applied to a project of public interest, is paramount.
45. If more detailed cost estimates are required at the RIT stage, should this apply to all RIT projects, or only to larger projects? If so, which projects should be subject to this requirement?	Detailed cost estimates should be required of all major projects (e.g. > $100M) and/or to projects of broad infrastructure planning significance.
46. Do you have any other suggestions to address the issues raised in the rule change request?	No. All suggestions included in above comments.

OTHER COMMENTS

47. Please provide any further comments on this chapter.	All suggestions included in above comments