

AUSTRALIAN ENERGY MARKET COMMISSION

HELPING TO PUT THE INTEGRATED SYSTEM PLAN INTO ACTION

Coordination of generation and transmission investment – final report 21 December 2018

A huge amount of generation will be built in the coming years, taking the place of ageing coal-fired power.

The 2018 Integrated System Plan shows where and when investment in electricity transmission networks is needed to connect these new generators.

The AEMC is working on the “nuts and bolts” of delivering the Integrated System Plan in the required timeframe – and at the least cost to consumers.

Facilitating new transmission at the least cost to consumers

In consultation with stakeholders:

AEMO, the system planner, provides a system-wide overview about what is needed and when in its Integrated System Plan.

Transmission businesses, drawing on their local knowledge, choose the best project to meet the network need identified in the ISP. This project must undergo a cost-benefit assessment (known as a RIT-T) that includes considering if non-network solutions like demand response may be more efficient.

AER, the regulator, approves the RIT-T and sets network prices so customers are only paying for investment that is efficient.

AEMC, the rule maker, designs the regulatory framework so responsibilities are clear and risks are allocated to the right people. The AEMC also has a “last resort” power to direct transmission businesses to do a RIT-T if needed.









PROTECTING CONSUMERS FROM PAYING TOO MUCH

Investment in generation and transmission needs to be better coordinated. The AEMC has recommended a range of changes to the regulatory framework to increase efficient investment in transmission networks, delivering least cost solutions to consumers.

RECOMMENDATIONS

The AEMC has set out changes to the regulatory framework to put the Integrated System Plan into action. The comprehensive reform package includes:

-  Directly linking investment decisions by transmission businesses to the Integrated System Plan to speed up regulatory approval processes.
-  Streamlining the cost-benefit assessment (RIT-T) for new transmission by removing duplication from the process.
-  Managing congestion so the cheapest power can get to consumers. This involves implementing phased reforms to change how generators access and use the network, starting with dynamic regional pricing.
-  Allowing generators to pay for transmission infrastructure in exchange for access to it – which means generators can influence and have control over transmission planning decisions, leading to better coordination of generation and transmission investment.
-  Facilitating renewable energy zones through generators' funding of transmission infrastructure.
-  Making it easier for large-scale storage systems to connect by creating a new registration category to support seamless integration.

TIMING

The reforms would be implemented in stages to enable delivery of the 2018 Integrated System Plan in the timeframes identified by AEMO. The final stage of reforms would be completed in 2023.

