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Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Via electronic lodgement

Dear John

Options Paper: Coordination of generation and transmission Investment (Ref EPR0052)

AusNet Services welcomes the opportunity to make this submission to the Commission's Options Paper for its review into the Coordination of Generation and Transmission Investment.

Introduction

The AEMC's process to date for this review has confirmed that, in the current transformational circumstances for the sourcing of the nation's energy needs, a deep exploration is necessary as to whether the current transmission frameworks remain fit for purpose.

The advent of the Integrated System Plan (ISP) has occurred in parallel with the AEMC review, in recognition and confirmation of this need by the Finkel Panel. The initial ISP has been published, and this demonstrates the immense value, which will grow with maturity, from a NEM wide, coordinated generation and transmission investment plan to serve consumer needs most efficiently.

We support the request by COAG EC for the ISP to be made actionable, and in our submission to the previous phase of this review highlighted that giving this document status and role in the framework is an urgent priority.

The remainder of this submission discusses our views on the preferable role of the ISP and an independent national planner, and responds to other matters discussed in the Options Paper

An Actionable Integrated System Plan

COAG EC has asked for the ISP to be actionable. The Options Paper asks what this means, and provides 5 options, ranging from it providing an information resource, through to it directing investment in specified works.

In our view the COAG ECs concept of actionable is reflected in its communique, where the term is deployed in the very same paragraph as where it asks how the Group 1 projects can be implemented as soon as practicable and with efficient outcomes for customers.

There are several key principles for an actionable ISP:

a. **Timely delivery of infrastructure** – This is the objective. A revised process must ensure that investment to integrate an unprecedented, rapidly changing generation mix does not leave Australia subject to deteriorated supply reliability for industrial, commercial and residential customers. The whole economy depends on a reliable and affordable electricity supply;

b. **Economically efficient** – the ISP should identify augmentation needs that have been cost benefit tested in whole of NEM development scenarios, and including feasible non-network alternatives;

c. **Thoroughly consulted** – the initial ISP is an important starting point on which to build. As well as identifying critical near term infrastructure needs, it gives stakeholders a reference point to engage in the development of the next iteration. A strong focus on stakeholder engagement in the ISP process, ensures firmness and confidence in inputs, assumptions, contribution of options, and the reasoning underlying outputs, that are critical to verifying and obtaining support for the plan;

d. **Risk assignment considered** – although the intent would be for the plan to benefit customers, it is an integration plan, leads generation planning and accordingly, for elements where particularly sensitive to this, has some risk that 'generators may not come'. The ISP should, where appropriate, obtain commitments from generation, that it would exploit the access capability proposed (in particular this may be the case for its recommended developments to exploit priority Renewable Energy Zones);

e. **National strategic requirements focus** – the ISP was a recommendation to address the integration of renewable energy resources in particular, taking a NEM wide efficiency perspective. National flow-paths, and connecting renewable energy zones into these, are accordingly the key elements. Broader generator and TNSP planning accountabilities will be most effectively governed through the existing processes.

How would this work in practice

The Options Paper sets out 7 stages in the investment process, and compares the assignment of responsibilities for these across the broad range of options that could be considered. AusNet Services considers that an approach where AEMO determines the best option (Option 3) and leaning toward Option 4. The approach is described below.

Stage	Features
Stage 1 Identify need	All of the options in the Options Paper are common on this stage, noting that 'AEMO identifies network needs through its modelling in the ISP, with TNSPs providing inputs into this process'. This would draw on alignment of TAPRs and the ISP, each informing the other. TNSPs could identify in the TAPRs where their direct investment decision-making butts up against ISP decision-making. The treatment of other potential input sources should be clarified in the process, e.g. incorporating government policy.
Stage 2 Identify credible options that address the need	There is a distinct purview for the ISP and for TNSP planning responsibilities. A principles based approach to clarifying the boundary of national, strategic planning (the purview of the ISP) should be applied. However, there are strong linkages, indeed interdependencies, with each informing the other. For the ISP, AEMO would be responsible for

Stage	Features
	identifying credible options, taking into account and seeking to coordinate with the jurisdictional TNSPs network planning. Since the ISP will conduct the cost benefits analysis, and this is to be robust, then non-network options must be included in the options assessment. This stage includes a consultation phase. The perspective is the holistic plan. The options will include those REZs which are integral to achieving the optimal ISP outcome. As well as applying resource mapping, network capability, loss factors etc., testing the level of generator sector support is necessary (and confirmation of alignment with community values and planning regulations).
Stage 3 Assess costs and benefits of credible options	A robust benefits assessment is critical. It must provide for stakeholder participation equivalent to that obtained via the RIT-T. The AER role per RIT-T would be applied.
Stage 4 Determine best option	The ISP determines the best option, however this should include iterative or early communication with TNSPs to confirm alignment in plans. The ISP outcomes would be more broadly communicated initially via a draft version of the report. This would enable all stakeholders the opportunity for meaningful engagement at the outputs stage. For REZs, the investment requirements should confirm the dependency on generator uptake of opportunities and an assessment of the risk of the expected outcome not transpiring. The option should be included for AEMO to require an initial commitment by generators to the REZ capacity proposed. This could be via a transmission bonds style mechanism as proposed in the previous consultation phase by Engie. The ultimate decision to invest may be linked to the level of generator support provided. The bonds could be transferred from AEMO's management to the TNSP once the implementation process for a project passes to the TNSP
Stage 5 Make decision to implement "best" option	TNSPs would be responsible for implementing projects that achieve the ISP functional requirements. There should be some flexibility for TNSPs to integrate with their own regional planning requirements, however this should not delay ISP timing, and would not avert any RIT-T obligations for those works. Processes for engagement with AEMO and AER on any implications would be included in the process. The TNSP leads this process. For REZs, this is an alternative stage where the 'transmission bonds' mechanism may be invoked by the TNSP, and filled prior to investment. The government could also purchase bonds, and potentially the TNSP itself.

Stage	Features
Stage 6 Undertake detailed costing and planning for the investment	The TNSP is responsible for this activity. As noted by the Commission this is also the point at which AER involvement in revenue setting for the projects would begin. Since the projects are not part of the TNSPs system plan they are not funded via the period revenue cap, an appropriate and timely funding mechanism would be necessary. The need for a funding determination does not re-open the investment decision.
Stage 7 Implement the investment	There is a question as to whether expenditure on the projects could commence in advance of the AERs revenue decision, and how this could be underwritten. This stage is common across the AEMC options. The TNSP implements the investment – either building and commissioning the transmission investment, or finalising contracts with the non-network provider.

Treatment of Electricity Storage

The Options paper also provides analysis on whether energy storage systems should pay TUOS charges. We welcome this analysis, which builds on the discussion in the Commission's previous consultation phase. In response to that consultation the conclusion from our submission was that 'performing these energy supply support functions on the power system, storage systems should not attract TUOS charges'.

If the storage facility is providing such functionality it would not be withdrawing electricity from the grid leading to the network becoming constrained, and hence not contributing to the cost drivers of transmission. However, as protection against such an eventuality, and on the basis that the storage facility is not a load customer, a mandatory load reduction capability that could be activated by central dispatch could be considered.

Please contact Kelvin Gebert, our Manager Regulatory Frameworks, if we can assist with any queries in relation to this submission.

Yours sincerely,

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