



CoGaTI implementation - access and charging - publication of consultation paper

Context for this review

In 2016, the Council of Australian Governments (COAG) Energy Council asked the Australian Energy Market Commission (AEMC or Commission) to implement a biennial reporting regime on when the transmission planning and investment decision-making frameworks will need to change, given the state of the power system.

The inaugural *Coordination of generation and transmission investment review* (CoGaTI) commenced in early 2017, and concluded with its final report being published in December 2018. The final report made recommendations for comprehensive reform to the way investment in generation and transmission is coordinated. Given that the AEMC is to report every two years, the AEMC is commencing the second review under this terms of reference.

The Commission's recommendations from the inaugural CoGaTI final report for reform to the current access regime, and a review of whether existing transmission use of system charging arrangements are fit for purpose, will be progressed by the AEMC in 2019 as part of the *CoGaTI implementation - access and charging review* (this review).

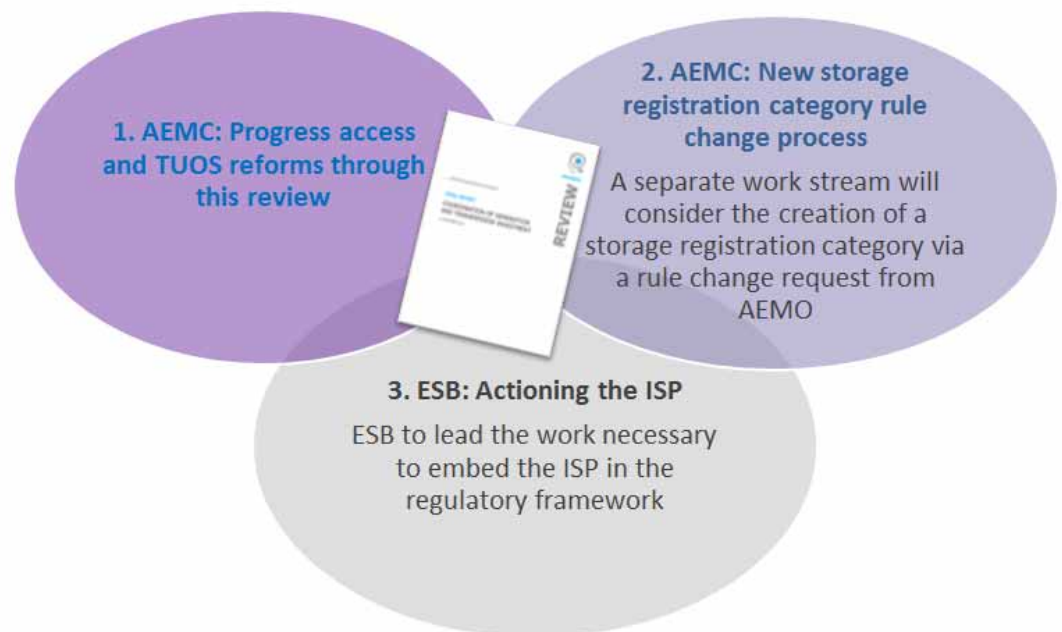
Progressing the AEMC's CoGaTI recommendations

On 21 December 2018 the AEMC published the final report of its inaugural CoGaTI review.

The final report recommended a comprehensive reform package to better coordinate investment in renewable generation and transmission infrastructure, facilitating transmission and generation in the right place at the right time at an efficient cost. The recommendations complement each other and include:

- access:
 - manage 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
 - facilitate renewable energy zones through generators funding of transmission infrastructure
 - allow 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
- charging:
 - examine how to better align the costs of transmission, especially interconnectors, with those that benefit from the investment
- connection:
 - make it easier for large-scale storage systems to connect to the network by creating a new registration category to support seamless integration
- planning:
 - directly link investment decisions by transmission businesses to the Australian Energy Market Operator's (AEMO's) Integrated System Plan (ISP), to streamline regulatory approval processes for these strategic projects
 - streamline the cost-benefit assessment (the regulatory investment test for transmission – RIT-T) for new transmission by removing duplication from the process.

These reforms will be progressed through three separate work streams, as illustrated below.



This review will progress implementation of the Commission’s recommendations for reform to current transmission access and charging arrangements.

The Energy Security Board will be leading the work required to action the ISP by embedding it in the regulatory framework. The Commission’s recommendations for how the RIT-T could be improved for non-ISP projects will be progressed as part of the Energy Security Board’s work. The AEMC, AEMO and the Australian Energy Regulator will work with the Energy Security Board as part of this process.

The Commission’s recommendation for the creation of a new national electricity market (NEM) registration category for storage will be progressed via the rule change process. AEMO will be submitting a rule change request to the AEMC by the end of April 2019.

Consultation paper - access and charging reform

The *CoGaTI implementation - access and charging review* will seek to refine the proposed reforms to current access and charging arrangements that were recommended in the inaugural CoGaTI final report.

Currently, there is a significant amount of generation capacity that is seeking to connect to the network. Private sector investors are planning generation where transmission has limited or no capacity to connect it. This lack of coordination is increasing costs in the sector. Given that a significant amount of this new capacity is seeking to locate at edges of the network, there is an increasing need to invest in and build transmission to reliably connect generators.

Therefore, the current access regime needs to evolve to allow the risk and cost of generation investment to complement planning and investment in transmission. Building transmission to benefit generators means that generators should pay for this transmission investment (which they don’t currently).

Reform to the access regime should occur through a phased approach to address generator connection and access to the transmission network, and to make congestion management fit for purpose for the energy transformation. Reform is needed now in order to be put in place for the future, however this reform should be phased in over time, starting with dynamic regional pricing to reflect where network congestion is happening in real time, and moving to a system where generators are able to pay for transmission augmentation in exchange for access to the network.

This final phase of access reform involves generators having the option to pay for transmission in return for firm access rights, which raises broader questions about the rest of the transmission use of system charging framework. Therefore, there is also a need for

a holistic review of how network costs are recovered and from whom, particularly focussed on inter-regional transmission use of system arrangements.

As proposed in the implementation work plan published as part of the inaugural CoGaTI final report, the Commission will provide the COAG Energy Council with a set of regulatory reforms (rule change requests) at the end of 2019 to implement changes to the access and charging regimes. The intent is that these rule change requests, on submission back to us, will commence in 2020. Throughout this year, there will be multiple opportunities for stakeholder consultation on the issues raised by the Commission's recommendations as the rule change requests are developed.

To commence the consultation process on what has been proposed, the Commission has published a consultation paper and is seeking stakeholder feedback on our recommendations for reform to the current access and transmission charging regimes, including the timing and sequencing of these changes.

Table 1 provides a high level overview of the milestones for this review.

Table 1: CoGaTI - access and charging implementation indicative timeline

MILESTONE	TIMING
Publication of consultation paper - 8 weeks consultation	1 March 2019
Publication of supplementary information paper	4 April 2019
Submissions close on consultation paper	26 April 2019
AEMC information session	April 2019
Publication of directions paper on access reform work stream - 6 weeks consultation	June 2019
Public forum on access directions paper	June 2019
Submissions close on access directions paper	July 2019
Stakeholder workshop on charging reform	July 2019
Publication of draft report - 6 weeks consultation	September 2019
Submissions close on draft report - 6 weeks consultation	October 2019
Final report including NER change package on both access and transmission charging reform provided to the COAG Energy Council	December 2019

Next steps

The Commission invites stakeholder feedback in response to the questions asked in the consultation paper. Submissions are due by **26 April 2019**.

We will shortly form a technical working group of experts from the market bodies, networks, generators and consumer groups to provide input into the proposed reforms and to help develop rule change requests needed to support the reforms. The notes from these meetings will be published on the project page for this review.

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