



Last resort planning power - 2019 review

Publication of decision report

The Australian Energy Market Commission (AEMC) has published a report outlining its decision not to exercise the last resort planning power (LRPP) in 2019. Using the LRPP, the AEMC can direct a network business to undertake a regulatory investment test - weighing up the costs and benefits of investment - on projects to address network congestion, if a test is not already underway.

Analysis undertaken by the AEMC shows that transmission network service providers (TNSPs) in the national electricity market (NEM) are adequately considering inter-regional transmission constraints in their planning of transmission network investment, with several regulatory investment tests currently in progress.

Overview

The NEM is one of the longest interconnected power systems in the world, comprising almost 40,000km of transmission lines across six Australian states and territories. The ability to transfer electricity between Queensland, New South Wales, the Australian Capital Territory, Victoria, Tasmania and South Australia is fundamental to the operation of the NEM as a single wholesale electricity market.

The LRPP is a power conferred on the AEMC under the National Electricity Rules (NER) to help ensure that sufficient investment is occurring to transport electricity across the NEM.

The purpose of the LRPP is to ensure timely and efficient inter-regional transmission investment in the NEM for the long-term interests of consumers. It can be exercised when other investment planning mechanisms are not addressing significant inter-regional constraints.

If the AEMC identifies that current processes or projects are not underway to address an inter-regional constraint that may significantly impact on the efficient operation of the market, then the AEMC has the power to direct one or more network service providers, typically a TNSP, to apply the regulatory investment test for transmission (RIT-T) to projects that are likely to relieve that constraint. This could include upgrading transmission lines to increase their capacity or installing a new transformer so more power can flow through existing lines.

The AEMC must annually assess whether it should exercise the LRPP. This assessment is based on transmission planning documents from the Australian Energy Market Operator (AEMO) and TNSPs, including AEMO's Integrated System Plan (ISP).

Decision

The AEMC has decided not to exercise the LRPP in 2019. This is because the AEMC's analysis has found that inter-regional flow constraints were being appropriately considered by TNSPs in their 2019 transmission annual planning reports and RIT-T related documents.

The AEMC has concluded that the TNSPs are adequately considering the inter-regional constraints that have been identified by AEMO in its role as the national transmission network planner. TNSPs across the NEM are in the process of carrying out RIT-Ts on interconnector augmentations or new interconnector developments, including in relation to the Queensland - NSW interconnector (QNI), Victoria - NSW interconnector (VNI), the new South Australia - NSW interconnector (Project EnergyConnect) and the new Tasmania -

Victoria interconnector (Marinus Link).

Actioning the Integrated System Plan

AEMO published its inaugural ISP in 2018 and is currently preparing the 2019-2020 ISP.

The AEMC is working closely with the Energy Security Board (ESB) to develop new rules to action the ISP and streamline the process for regulatory approval of major transmission investments. The ESB recently published draft rules for consultation on these changes. These draft changes will speed up the RIT-T process for projects that are identified in the ISP. They will also replace the LRPP with new requirements on transmission businesses to publish a RIT-T draft report within a period specified by AEMO in the ISP.

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