

# Appendix G: Comparison of the strawperson models of contestability

Table 1 below provides a detailed comparison of the contestability strawperson options and counterfactual. It does so by breaking down each key stage of the transmission planning and investment lifecycle into the key functions and activities within each stage. It then details the proposed party responsible for performing the functions/undertaking the activity under each of the strawperson options and the counterfactual.

Note: The new functions required for contestability are shaded grey. The contestable tender process will occur at different stages of the process under different strawperson options. The level of contestability is shown using the same colours as in chapter 3 of this options paper. Orange indicates some degree (or the option) of competitive provision of the related functions/activities. Purple indicates no competition in the provision of the related functions/activities. The circle indicates the tender point.

Table 1: Summary of draft contestability strawperson options and counterfactual

	Functions	Counterfactual: Current arrangements	Strawperson 1: Contestability for construction and ownership	Strawperson 2: Contestability for ISP/RIT-T solutions + increased jurisdictional involvement	Strawperson 3: Contestability for ISP/RIT-T solutions + AEMO declared network functions	Strawperson 4: Competition for solutions to ISP identified need
<b>1: Plan</b>	<b>1a: Develop planning scenarios, inputs and assumptions</b>	AEMO (ISP)	AEMO (ISP) <sup>1</sup>	AEMO (ISP)	AEMO (ISP)	AEMO (ISP or replacement)
	<b>1b: Identify needs</b>	AEMO (ISP)	AEMO (ISP) and jurisdictional body with input from PTNSP	AEMO (ISP)	AEMO (ISP)	AEMO (ISP or replacement)
	<b>1c: Identify credible options to address the needs</b>	AEMO (ISP) and PTNSP based on RIT-T	AEMO (ISP) and jurisdictional body with input from PTNSP based on RIT-T	AEMO (ISP) and jurisdictional body based on RIT-T <sup>2</sup>	AEMO (ISP and RIT-T) <sup>3</sup>	Tenderers
	<b>1d: Assess costs and benefits of</b>	AEMO (ISP) and PTNSP based on RIT-T	AEMO (ISP) and jurisdictional body with input from	AEMO (ISP) and jurisdictional body based on RIT-T	AEMO (ISP and RIT-T)	AEMO based on tenders and

<sup>1</sup> Options 1 and 2 could potentially also involve a jurisdictional body having a role in functions 1a and 1b, eg as the Consumer Trustee does in the NSW EII Act model.

<sup>2</sup> The NSW EII Act model uses an alternative to the RIT-T but that approach is not included in this option.

<sup>3</sup> The ISP is undertaken by AEMO's national planning team. RIT-Ts would be undertaken by a separate AEMO jurisdictional planning team, like the current Victorian planning team.

	Functions	Counterfactual: Current arrangements	Strawperson 1: Contestability for construction and ownership	Strawperson 2: Contestability for ISP/RIT-T solutions + increased jurisdictional involvement	Strawperson 3: Contestability for ISP/RIT-T solutions + AEMO declared network functions	Strawperson 4: Competition for solutions to ISP identified need
	<b>credible options</b>		PTNSP based on RIT-T			modified ISP or RIT-T <sup>4</sup>
	<b>1e: Determine the 'best' option</b>	AEMO (ISP) and PTNSP based on RIT-T	AEMO (ISP) and jurisdictional body with input from PTNSP based on RIT-T	AEMO (ISP and RIT-T)	AEMO (ISP and RIT-T)	AEMO based on tenders
	<b>1f: Make decision to implement 'best' option<sup>5</sup></b>	PTNSP	Jurisdictional body	Jurisdictional body	AEMO	AEMO
<b>2: Undertake preparatory activities</b>	<b>2a: Undertake or direct preparatory activities for future ISP projects and actionable ISP projects</b>	PTNSP	Jurisdictional body with input from the PTNSP	Jurisdictional body	AEMO (as jurisdictional planning body)	Selected tenderer (if preparatory activities remain relevant) <sup>6</sup>

<sup>4</sup> Functions 1d and 1e would need a revised process that undertakes a cost-benefit assessment and ensures the project has net benefits based on the tender outcomes, eg a modified version of the ISP feedback loop, RIT-T or the NSW Consumer Trustee determination of the maximum capital costs for a REZ network infrastructure project.

<sup>5</sup> The decision to implement the option is subject to approval of revenues at function 9a.

<sup>6</sup> Preparatory activities for future ISP projects and actionable ISP projects as currently occurs under the ISP would be more difficult with this option and may not be relevant or possible.

	Functions	Counterfactual: Current arrangements	Strawperson 1: Contestability for construction and ownership	Strawperson 2: Contestability for ISP/RIT-T solutions + increased jurisdictional involvement	Strawperson 3: Contestability for ISP/RIT-T solutions + AEMO declared network functions	Strawperson 4: Competition for solutions to ISP identified need
	<b>2b: Develop REZ design reports</b>	PTNSP (as jurisdictional planning body) <sup>7</sup>	Jurisdictional body or PTNSP (as jurisdictional planning body)	Jurisdictional body	AEMO (as jurisdictional planning body)	Jurisdictional planning body <sup>8</sup>
<b>3: Engage</b>	<b>3a: Undertake stakeholder engagement activities at the planning stage</b>	PTNSP	Jurisdictional body with input from PTNSP	Jurisdictional body	AEMO and selected tenderer	Selected tenderer <sup>9</sup>
	<b>3b: Undertake stakeholder engagement activities during construction and operation</b>	PTNSP	Selected tenderer and PTNSP	Selected tenderer	Selected tenderer	Selected tenderer

<sup>7</sup> The PTNSPs are all currently also the jurisdictional planning body in their jurisdiction (AEMO performs this role in Victoria).

<sup>8</sup> The jurisdictional planning body role would need to be transferred from the PTNSP to a new jurisdictional body or AEMO to maintain competitive neutrality.

<sup>9</sup> Meaningful engagement by the successful tenderer could not occur until after it has won the tender process so engagement under this option on issues like route selection and design are likely to be more limited. AEMO or a jurisdictional body could potentially undertake limited engagement prior to undertaking the contestable tender process.

	Functions	Counterfactual: Current arrangements	Strawperson 1: Contestability for construction and ownership	Strawperson 2: Contestability for ISP/RIT-T solutions + increased jurisdictional involvement	Strawperson 3: Contestability for ISP/RIT-T solutions + AEMO declared network functions	Strawperson 4: Competition for solutions to ISP identified need
4: Undertake contestable tender process	4a: Determine whether to utilise a contestable process and, if so, undertake the contestable tender	N/A	Jurisdictional body	Jurisdictional body	AEMO	AEMO
	4b: Develop functional specification for contestable assets/services	N/A	Jurisdictional body with input from PTNSP	Jurisdictional body	AEMO	AEMO
	4c: Contract with network operators for delivery and coordination of services	N/A	Jurisdictional body	Jurisdictional body	AEMO	AEMO
5: Design and route selection	5a: Undertake detailed design and route selection	PTNSP (contestably procured in practice)	Selected tenderer	Selected tenderer	Selected tenderer	Selected tenderer

	Functions	Counterfactual: Current arrangements	Strawperson 1: Contestability for construction and ownership	Strawperson 2: Contestability for ISP/RIT-T solutions + increased jurisdictional involvement	Strawperson 3: Contestability for ISP/RIT-T solutions + AEMO declared network functions	Strawperson 4: Competition for solutions to ISP identified need
	<b>5b: Acquire land, consents and approvals</b>	PTNSP	PTNSP and selected tenderer	Jurisdictional body and selected tenderer	Selected tenderer	Selected tenderer
	<b>5c: Construct assets</b>	PTNSP (contestably procured in practice)	Selected tenderer	Selected tenderer	Selected tenderer	Selected tenderer
	<b>5d: Contract with non-network providers</b>	PTNSP	PTNSP	Selected tenderer	AEMO and/or selected tenderer	AEMO and/or selected tenderer
	<b>5e: Construct network interface works</b>	N/A	PTNSP	PTNSP	PTNSP <sup>10</sup>	PTNSP
<b>6: Own</b>	<b>6a: Own network assets</b>	PTNSP	Selected tenderer	Selected tenderer	Selected tenderer	Selected tenderer

<sup>10</sup> 'PTNSP' is used here for simplicity and consistency with other options, but can be a confusing term given the division of roles under the declared network functions provisions of the NER. Those provisions distinguish between the roles of AEMO (as the jurisdictional planning body and a TNSP for certain purposes), contestable Declared Transmission System Operators (DTSOs) and the incumbent DTSO (AusNet Services in Victoria). The incumbent DTSO would perform roles that are listed here as the responsibility of the PTNSP.

	Functions	Counterfactual: Current arrangements	Strawperson 1: Contestability for construction and ownership	Strawperson 2: Contestability for ISP/RIT-T solutions + increased jurisdictional involvement	Strawperson 3: Contestability for ISP/RIT-T solutions + AEMO declared network functions	Strawperson 4: Competition for solutions to ISP identified need
	<b>6b: Finance network assets</b>	PTNSP (contestably procured in practice)	Selected tenderer	Selected tenderer	Selected tenderer	Selected tenderer
<b>7: Operate and maintain</b>	<b>7a: Operate network</b>	PTNSP	PTNSP (may contract some functions to selected tenderer)	Selected tenderer <sup>11</sup>	Selected tenderer	Selected tenderer
	<b>7b: Provide connection services</b>	PTNSP (some connection services are contestable)	PTNSP (some connection services are contestable)	Selected tenderer	AEMO and selected tenderer	Selected tenderer
	<b>7c: Maintain network</b>	PTNSP	PTNSP (may contract some functions to selected tenderer)	Selected tenderer	Selected tenderer	Selected tenderer
	<b>7d: Replace and augment network</b>	PTNSP	PTNSP (may contract some functions to selected tenderer)	Selected tenderer(s) <sup>12</sup>	Selected tenderer(s)	Selected tenderer(s)

<sup>11</sup> Under options 2 to 4, it would be possible for the successful tenderer to contract with the PTNSP for the PTNSP to provide some or all of the network operation and maintenance functions the parties agreed.

<sup>12</sup> In all options, minor augmentations and replacements would be undertaken by the successful tenderer in accordance with the original tender, while major augmentations and replacements would likely be the subject to a new tender process.

	Functions	Counterfactual: Current arrangements	Strawperson 1: Contestability for construction and ownership	Strawperson 2: Contestability for ISP/RIT-T solutions + increased jurisdictional involvement	Strawperson 3: Contestability for ISP/RIT-T solutions + AEMO declared network functions	Strawperson 4: Competition for solutions to ISP identified need
	<b>7e: Operate and maintain interface works</b>	N/A	PTNSP	PTNSP	PTNSP	PTNSP
<b>8: Control</b>	<b>8a: Control transmission system</b>	PTNSP and AEMO	PTNSP and AEMO	PTNSP and AEMO	PTNSP and AEMO	PTNSP and AEMO
<b>9: Price</b>	<b>9a: Set overall revenue or price cap</b>	AER based on chapter 6A assessment of efficient costs	AER based on contestable tender outcomes	AER based on contestable tender outcomes	AEMO	AEMO
	<b>9b: Set connection prices</b>	PTNSP	PTNSP	Selected tenderer	Selected tenderer	Selected tenderer
	<b>9c: Set use of system prices</b>	PTNSP	PTNSP (as coordinating NSP) <sup>13</sup>	PTNSP (as coordinating NSP) <sup>14</sup>	AEMO	PTNSP (as coordinating NSP)

<sup>13</sup> The Coordinating NSP role is currently used in the Chapter 6A transmission pricing provisions where there is more than one TNSP in a jurisdiction. All Coordinating NSPs are currently also PTNSPs (AEMO performs this role in Victoria).

<sup>14</sup> The NSW EII Act model recovers costs through a scheme financial vehicle and contributions by NSW DNSPs rather than through transmission charges, but that approach is not included in this option.



