



Contestability workstream for the Transmission planning and investment review

The AEMC has published an options paper for the contestability workstream of the *Transmission planning and investment review*. This options paper seeks feedback from stakeholders to inform the Commission's assessment of the costs and benefits associated with increasing contestability in the provision of major transmission projects in the NEM. Stakeholders are invited to make submissions to the options paper by 18 August 2022.

Australia is undergoing a transformational shift to net zero. There is broad consensus that transmission is a critical enabler for the transition to net zero, both in the national electricity market (NEM) and the economy more broadly. However, this transition will require unprecedented level of investment in, and build of, transmission infrastructure to deliver power from renewable generation and energy storage to consumers, and to deliver it quickly.

As part of its Transmission planning and investment review (the Review), the Australian Energy Market Commission (AEMC or Commission) is examining whether increasing contestability in the provision of major transmission projects has the potential to deliver cost savings to consumers compared to provision by monopoly TNSPs under the existing ex-ante incentive based regulatory framework

The AEMC is taking a two-part approach to the contestability workstream

The 'contestability workstream' of the Review is being undertaken in two parts:

Part 1 – contestability workstream of the Review: The contestability workstream will be used to deliver recommendations on:

- whether arrangements to support increased contestability in the provision of major transmission projects in the NEM should be explored in detail as a proportionate alternative to provision by primary TNSPs under the current ex-ante incentive-based regulatory framework, and
- if so, which broad model of contestability is likely to deliver net benefits to consumers relative to other models considered and the counterfactual (that is, which broad contestability model is the preferred model).

Part 1 involves publication of an options paper in July 2022, a draft report in December 2022 and a final report in the first half of 2023.

Part 2 – new contestability implementation review: If the final report for the contestability workstream concludes that it is likely to be beneficial to explore contestability in detail, the AEMC will commence a new piece of work in mid-2023 to:

- design and assess the commercial and regulatory model in detail
- where necessary, commence work to develop the law and rule changes needed to implement it.

Taking a two-part approach to the matter of contestability will enable the Commission to continue to work collaboratively with stakeholders to identify a common starting point for discussion, and to gather a greater fact base regarding the potential benefits of increased contestability in the provision of major transmission in the NEM. This work will inform our future analysis and subsequent decisions regarding this potential reform.

We are seeking feedback from stakeholders to inform our assessment of whether contestability should be explored further

As the first step in Part 1 of the review, we are seeking stakeholder feedback to inform the AEMC's analysis and subsequent decision on whether there is benefit in exploring contestability in detail and, if so, in what form. Specifically, we are seeking feedback on:

- the spectrum of **four contestability strawpeople options**, so that we can narrow these down to one or two, or a hybrid, to take through our initial high-level assessment later this year
- our **proposed assessment framework** for this workstream, so that we can refine and weight the assessment criteria
- some of the key considerations for thinking about how to **identify projects suitable for contestable delivery**.

Stakeholders are invited to make submissions to the options paper by **18 August 2022**.

The contestability workstream is part of a larger body of work to support the efficient use of transmission infrastructure and the timely and efficient delivery of major transmission projects

The contestability workstream is part of a larger program of work to make sure the national regulatory framework is flexible enough to support the transformational shift in the energy market. The program of work seeks to create a national regulatory framework for transmission that is fit-for-purpose and ensures major projects in the medium-to long-term are delivered in the timeliest possible way, as efficiently as possible and with robust consumer protections in place. The overarching objective of obtaining the right balance between timeliness and efficiency to support the transition to net zero.

In this context, a different approach has been taken to this Review with work being delivered in stages. This recognises that some issues can be addressed more quickly, while others will require significant work due to their inherent complexity. These stages are:

- **Stage 2 – near-term reforms:** This stage focuses on both reducing uncertainty and near-term solutions, including recommendations to address any foreseeable financeability issues which may arise.
- **Stage 3 – longer-term reforms:** This stage focuses on issues that are of considerable complexity and/or are longer-term reforms. The key area of focus for Stage 3 is whether there are potential opportunities to balance timeliness and rigour in the economic assessment process.
- **Contestability workstream:** This workstream focuses on examining whether contestability in the provision of transmission services could be a proportionate approach to the existing AEMC Page 2 of 3 regulation of transmission projects.

Importantly, the Commission remains cognisant of the interrelationships between issues explored across the Review and will ensure its thinking in each of the Review's stages are updated as and when needed to reflect relevant findings in other Review stages.

Next Steps

The Commission will hold a stakeholder forum on 26 July 2022 to provide an overview of this report.

Other key publication dates under the Review are:

- the Stage 2 draft report was published on 02 June 2022
- the Stage 3 draft report will be published in mid-September 2022.

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