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Australian Energy Market Commission
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Submitted by email to aemc@aemc.gov.au

Project number: EPR0087

Transmission planning and investment - Stage 2 Draft report

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Draft report from the Australian Energy Market Commission (the Commission) on Transmission planning and investment - Stage 2.

Snowy Hydro considers any changes proposed in the transmission planning review should advance the National Electricity Objective (NEO) by facilitating efficient transmission investment so that the proponents have the capacity to deliver on the service requirements that are demanded by consumers. It is for this reason Snowy Hydro supports changes that ensure the Integrated System Plan (ISP) projects proceed for the benefit of consumers and the commitment to make the required investment in the energy system.

Transmission augmentation is the critical link that will unlock investment in cheap, clean energy and accelerate the transmission. With the Rewiring the Nation plan demonstrating the commitment to critical transmission projects, the rules for timely transmission build need to be updated to keep in line with the investment required. A secure system depends on moving to a combination of renewables and firming technologies but it needs more transmission and it is needed now.

The recent energy crisis has further demonstrated the importance of connecting critical energy supply and putting in place an orderly renewable generation transition to form a clean, reliable grid. It is essential that the transmission planning and investment framework reflects the urgent need for new transmission. The fact that the Regulatory Investment Test for Transmission (RIT-T) test has not, on its own, delivered a single major transmission project suggests the need for change.

The Commission's Transmission Review, while important, has been slow in reviewing the frameworks that are fit for purpose for the long term and being cognisant of the urgent need for transmission investment to avoid further delays. The Stage 2 draft report has however identified issues with the existing regulatory frameworks and identified improvements to the existing regulatory frameworks to promote the timely and efficient delivery of transmission services. Regarding the proposed near-term reforms in the Stage 2 draft report, Snowy Hydro submits the following:

- Transmission Network Service Providers (TNSPs) should have access to immediate funding for planning activities for any actionable ISP project.
- Should the timing of the feedback loop assessment align with the publication of a draft or final ISP, care must be taken that it does not lead to a 12-18 month delay, by waiting for the next ISP.

- While financeability is important for TNSP's during this time, the expectations of the Federal Government, State Government's and AEMO's Integrated System Plan (ISP) should ensure that investment decisions are not delayed by the outcome of the Commission's decision on financeability.

Cost recovery of planning activities

Snowy Hydro agrees with the Commission that issues around the financing of 'early works' should be resolved to limit delays to investment in transmission infrastructure. The existing CPA process should be available to them and should be sufficiently flexible to allow the TNSP to access funding very quickly after a final ISP. It is not reasonable for an TNSP to fund a planning activity for 2 years and then see AEMO drop the status of the project in the next ISP.

Early works are vital in achieving the appropriate timing for transmission projects. This can include critical path investments which are needed to commence construction, such as easement acquisition or acquiring a slot in a manufacturer's queue for long lead time equipment. Early works are critical for projects with longer delivery timeframes.

As highlighted in our previous response to the Commission, Snowy 2.0 is being built to provide longer-term energy storage and replace retired assets. This means facilitating renewable energy being online prior to the asset retiring to cover the energy shortfall and capacity being online prior to the expected shutdowns to cover the capacity shortfall. AEMO has also used the term early works to describe the actionable first stage of the VNI West and HumeLink projects in the 2022 Draft ISP and any delay in the Actionable ISP projects risks delay to the crucial sections of these projects.

The Commission should consider the approach that is consistent with the NEO, that provides clear, consistent and predictable rules and provides confidence to TNSPs regarding the recovery of expenditure on planning activities. Issues around the financing of 'early works' should be resolved to limit delays to investment in transmission infrastructure, as the Commission notes any *"uncertainty may lead to delays in investment and/or inadequate levels of planning activities being undertaken"*.

Improving the workability of the feedback loop

The Commission's draft position that the feedback loop could be improved by aligning the timing of the feedback loop assessment with the publication of a draft final ISP is important.

While it promotes the timely completion of the feedback loop, Snowy Hydro is concerned around delays which may arise from the workability of the feedback loop that could flow on to the ISP. Should the timing of the feedback loop assessment align with the publication of a draft or final ISP then the Commission should ensure that care is taken that it does not lead to a 12-18 month delay, by waiting for the next ISP. It is critical that the adopted reform supports the timely investment, and deployment of, transmission infrastructure as any delays ultimately lead to higher costs for consumers.

Revenue framework should have sufficient flexibility to address any future financeability concerns



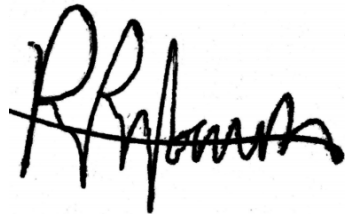
The unprecedented size and scale of the ISP projects as well the timing for investments to be delivered concurrently is challenging for Transmission Network Service Provider (TNSP)'s. It is therefore important that the regulatory framework should be fit-for purpose to provide incentives for TNSPs to run an efficient business and ensure consumers pay no more than necessary for safe and reliable services.

Should the Commission continue to assess financeability issues that could impact the delivery of projects then any mechanisms to mitigate those financeability issues in ways that could lead to a lower cost of capital, avoid delays in investment and deliver additional benefits to consumers are sensible. It is important to note however that there is Government support which could alleviate short-term financeability concerns.

The Commission's decision on financeability should not delay the commencement of critical transmission investment. The delivery of transmission infrastructure investment is already experiencing delays in some projects.

Snowy Hydro appreciates the opportunity to respond to the Draft report and any questions about this submission should be addressed to me by email to panos.priftakis@snowyhydro.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Priftakis', with a horizontal line drawn through the middle of the signature.

Panos Priftakis
Head of Wholesale Regulation
Snowy Hydro

