

3 November 2022

Ms Anna Collyer
Chair
Australian Energy Market Commission (AEMC)
Via electronic lodgement

Dear Ms Collyer

Transmission Planning and Investment Review Stage 3 Draft Report (EPR0087)

AusNet welcomes the opportunity to make this submission in response to the AEMC's Transmission Planning and Investment Review (TPIR) Stage 3 Draft Report (the Stage 3 Draft Report).

AusNet is the largest diversified energy network business in Victoria with over \$11 billion of regulated and contracted assets. It owns and operates three core regulated networks: electricity distribution, gas distribution and the state-wide electricity transmission network, as well as a significant portfolio of contracted energy infrastructure. It also owns and operates energy and technical services businesses (which trade under the name "Mondo").

The design of the Regulatory Investment Test for Transmission (RIT-T) and other aspects of the economic assessment process for planning major transmission projects seek to ensure that high quality decisions are made regarding which projects are needed and when. The process seeks to apply economic discipline. This is critical given the size of major transmission projects for which electricity customers will ultimately pay, but also to ensure that projects are commissioned when consumers need them (rather than at risk of delay). The process also seeks to provide a transparent process in which all stakeholders can participate and recognise how key decisions have come to be made.

The national electricity market (NEM) is on the precipice of an unprecedented wave of transmission investment. Stakeholder confidence in the economic assessment process and its outcomes is as critical to timely transmission as is the time taken to complete the steps of the economic assessment process and achieve approval. This is because projects costs are significant (i.e. several hundred million or billions dollars) and traverse hundreds of kilometres of land – and this requires more than economic regulatory approval to ensure successful delivery.

AusNet sees a clear and compelling need for the economic assessment process to adapt and evolve to better suit today's environment for energy transition and transmission development. In our view, the central challenge that Stage 3 of the TPIR should address is improving stakeholder confidence that the current economic assessment process is making the right planning decisions for ISP projects. This is because:

- **The actionable ISP framework does not promote adequate transparency around why key decisions have been made:** The Rules have made it difficult for stakeholders to understand and critique decisions around options identification and selection. Stakeholders are expected to follow complex economic and technical analysis published in multiple documents. Furthermore, the complexity of material, and the manner it is presented means many stakeholders and stakeholder groups are deterred from effectively participating in the economic assessment process.
- **The economic assessment process is 'locking' in key project decisions, in isolation from processes which require a more holistic assessment of the preferred options' net-benefits:** The economic assessment process

requires proponents to assess project options against criteria that are narrower in scope than the factors considered in other processes that occur during the delivery phase of the project. Given the RIT-T's role as a binding 'economic' assessment, it is plausible that the preferred option could be decided, absent of the knowledge that the corridor of interest is highly constrained and therefore likely to face higher land costs, land use constraints and community opposition.

Further, following the completion of the RIT-T there are limited means to alter key project decisions to reflect this information and related concerns without reapplying the RIT in its entirety. This can leave engagement with key stakeholders hamstrung before a project has entered its delivery phase.

Addressing these issues is likely to have a far greater impact on the timeliness and cost of ISP projects than removing duplication from the economic assessment process. This recognises that in the absence of improvements, stakeholders, across the spectrum, will continue to question or revisit the outcomes of the economic assessment phase of major transmission projects well after ISP analysis and RIT-Ts are completed – risking project delays in the delivery phase of the project. For example, proponents may be required to reconsider project options discounted in the RIT-T or consider scope revisions as part of its jurisdictional planning and environmental approvals process.

Given the above, a wider set of assessment criteria would better guide the design and selection of alternatives to the economic assessment process (e.g. criteria that consider transparency, accountability, robustness of analysis, risk allocation, flexibility and duplication).

Of the options presented, Strawperson Option 1 has the greatest potential to promote timely transmission development. In AusNet's experience, the value of de-risking the preferred option and improving stakeholder confidence in the RIT-T could be much greater than the six months proposed. This is because the preferred option is not only more likely to proceed rapidly through the economic assessment process as suggested in the AEMC's initial assessment, but is also more likely to mitigate material delays and costs that could occur in the delivery phase of the project.

AusNet does not believe Options 2 and 3 merit further consideration and is concerned that the initial assessment of these options was based on theoretical time savings that in practice are unlikely to be realised.

Should Strawperson Option 1 be progressed further, focus is needed on the scope and timing of early works. This includes:

- **Suggesting Option 1 conduct certain early works prior to the release of the PADR so that the proponent and stakeholders have confidence all the options presented are credible:** For example, the PADR for an ISP project could present two or three credible options supported by robust holistic assessment of economic, technical, social, environmental and cultural factors.
- **Supporting efforts to embed 'deliverability' analysis when considering credible options to help improve the overall quality and consistency of early works activities conducted as part of the RIT-T:** In its Stage 2 Final Report, the AEMC agreed with AusNet's suggestion regarding the importance of network option being 'deliverable.' AusNet welcomes this non-Rules based recommendation as a vehicle to improve the overall quality and consistency of early works activities conducted as part of the RIT-T.

Lastly, our submission proposes other solutions that could help improve confidence in the economic assessment process through additional transparency, flexibility, and reduced duplication between this process and jurisdictional planning and environmental approval processes.

These points are addressed in further detail in the attached submission. If you have any questions, please contact Jason Jina, Energy Policy Lead by email at jason.jina@ausnetservices.com.au.

Sincerely,



Jack San
Manager, Energy Policy
AusNet

AusNet

AusNet submission in response to the Transmission Planning and Investment Review Stage 3 Draft Report

Australian Energy Market Commission (AEMC)

Thursday, 3 November 2022



1. Introduction

AusNet is pleased to provide our response to the AEMC's Transmission Planning and Investment Review (TPIR) Stage 3 Draft Report (the Stage 3 Draft Report).

Our submission focusses solely on proposed reforms to the economic assessment process (i.e. Chapter 2 of the Stage 3 Draft Report). Specifically, it:

- Explains why we need to improve stakeholder confidence in the economic assessment process to drive the timely delivery of major transmission projects (Section 2)
- Suggests the AEMC design and adopt an alternative to the current economic assessment process having regard to a wider set of assessment criteria (Section 3)
- Supports further development of Strawperson Option 1 as the option with highest feasibility in promoting timely transmission delivery – and satisfying the assessment criteria we propose in Section 3 (Section 4)
- Encourages the AEMC to refine the scope and timing of early works under Option 1, and consider other solutions that could help improve confidence in the economic assessment process (Section 5)

While not expanded on further in this submission, AusNet agrees the national electricity rules (NER) do not currently set out the regulatory treatment of concessional finance within the economic assessment process and clarification is required. We particularly urge the AEMC to address how concessional financing arrangements would apply in Victoria, given our unique transmission arrangements that separate planning and delivery, and the Federal Government's recent committed to provide a concessional loan to support VNI West.

2. Issues with the economic assessment process

While we agree duplication within the economic assessment process should be avoided, there are other issues that present a greater risk to the timely delivery of major transmission projects.

The Stage 3 Draft Report sets its focus on identifying whether there may be opportunities to streamline the economic assessment process for ISP projects, facilitate a timely transition to net zero while balancing rigour. It also defines the various stages and the decisions that are made at each stage (i.e. option identification, option selection, regulatory approval).

AusNet supports the AEMC focus on 'timeliness' (as discussed in section 3). However, we disagree with the AEMC's preliminary analysis of strawperson options that proposes the greatest time savings can come from reducing the time required to complete the economic assessment process (or removing it all together). For example, Strawperson Option 3 estimated time savings are in the magnitude of two years (-50% to +50%) based on removing the regulatory investment test for transmission (RIT-T). This suggests that duplication and superfluous steps are the principal drivers of delay with the economic assessment process.

While duplication of key activities should be avoided, there is limited evidence provided in the Draft Report to suggest that this is indeed the case with delays in ISP Projects today. In practice, we expect the benefits from removing the RIT-T are likely to be overstated as such options fail to address other issues that present a greater risk to the timely delivery of major transmission projects (e.g. lack of transparency in around how key decisions are made).

In the remainder of this Section, we explain why stakeholders, across the spectrum, are questioning transmission planning decisions, how this issue heightens risks throughout each stage of project planning and delivery, and is the most substantial driver of project delays. We also suggest that a more transparent and holistic economic assessment process is needed to improve timely delivery of ISP projects.

Transmission planning decisions made as part of the economic assessment process continue to be questioned and revisited through subsequent projects stages risking project delays.

The central problem that should be addressed by TPIR is that stakeholders, across the spectrum, continue to question the outcomes of the economic assessment phase of major transmission projects well after ISP analysis and RIT-Ts are completed. This suggests a lack of confidence that the process results in the right decisions.

The economic assessment process has always been an important vehicle for stakeholders to understand and provide input into key project decisions (e.g. project corridor, technical design, benefits and costs). However, the scale and nature of the transmission investment required to meet the economic assessment process has changed as has the level and breadth of stakeholder interest in the process.

Today, this process is being asked to facilitate a different type of project – investment in hundreds of kilometres of new transmission infrastructure based on demands projected well into the future. Most will be built on greenfield sites, often within communities that have not previously hosted energy infrastructure. In addition, consumers are being asked to accept assurances around the net-benefits for this infrastructure, despite ‘known’ uncertainties about their costs, benefits and risks.

AusNet sees a clear and compelling need for the economic assessment process to evolve to better suit this new environment, by addressing the associated credible risks to timely transmission development that have emerged (e.g. difficulty acquiring land or easements, achieving jurisdictional planning and environmental approvals). This is borne out by the number of ISP Projects – under both actionable ISP framework and transitional rules – that have experienced delays where concerns have been raised by key stakeholders such as consumers, local communities or regulators.

There are various reasons why stakeholders might lack confidence in planning decisions, and these extend to complexities beyond the economic assessment process. However, given its central role to determine and ‘bind’ key project decisions, it is important that this process addresses material stakeholder concerns, rather than defer this to subsequent phases.

AusNet sees two key reasons driving stakeholders’ lack of confidence:

- The actionable ISP framework does not promote transparency around why key project decisions have been made; and
- The economic assessment process is locking in key project decisions in isolation of processes which require a more holistic assessment of the preferred options’ net-benefits.

1) Actionable ISP framework is not promoting transparency around why key project decisions have been made.

The actionable ISP framework introduced in March 2020 was designed to streamline the regulatory processes for key projects identified in the ISP whilst retaining a rigorous cost benefit assessment. It is supported by AER guidelines which are intended to provide certainty, transparency and accountability for AEMO and RIT-T proponents to promote efficient transmission investment with the long-term interests of consumers in mind.

In practice, these Rules have made it difficult to follow the planning for individual major projects and for stakeholders to understand and critique decisions around options identification and selection. As described in the TPIR Stage 3 Draft Report, AEMO consults with TNSPs to identify potential network investment options and their cost estimates through a joint planning process, which relies on various inputs including each TNSP’s Transmission Annual Planning Report (TAPR).

Credible options are then included in AEMO’s Inputs Assumptions Scenarios Report (IASR) before AEMO undertakes complex modelling in the Draft and Final ISP to select network investments that make up an optimal development path (ODP). It is then each proponent’s responsibility to include any candidate options identified in the ISP and any new credible options not previously identified in the RIT process it undertakes to determine how to address a specific ‘identified need’. It is only at conclusion of RIT process that the RIT-T proponent selects the preferred option.

In effect, to understand the rationale underpinning decisions made as part of the economic assessment process, stakeholders are expected to follow complex economic and technical analysis published in multiple documents – beginning with the TAPR and ending with the PACR.

Even then, credible options for a particular ISP Project may not be progressed or may be redefined based on information that is not clearly or centrally reported, including relying on information held in appendices of these various documents, new evidence that is not publicly available or a set of assumptions and scenarios that have since been updated. Complexity of the material, and the manner it is presented means many stakeholders and stakeholder groups are deterred from effectively participating in the economic assessment process.

In addition, the actionable ISP rules introduced NER Clause 5.15A.3(b)(8)(i) which states RIT-T proponents are not required to consider any credible options that were previously considered in the ISP, but does not form part of the ODP.

AusNet notes that the AEMC’s TPIR Stage 2 Final Report makes a series of recommendations to help improve local community engagement in the RIT-T phase of transmission planning process. This includes a rule change

recommendation to update engagement requirements for RIT-Ts and preparatory activities based on a new NER definition of community engagement expectations.

AusNet welcomes these recommendations and sees them as complementary to existing activities TNSPs are taking to promote transparent decision making. It is worth noting that the TPIR Stage 2 recommendations were focussed on TNSPs and do not extend to AEMO's role in developing the ISP, which is part of the economic assessment process.

VNI West Example

VNI West is an early example of an ISP project subject to the actionable ISP framework that demonstrates the deficiencies of the process when it comes to providing transparency in decision making. The VNI West Project Assessment Draft Project (PADR) published in July 2022 did not progress credible options previously considered in the Project Specification Consultation Report (PSCR) and recent ISPs on the basis of NER Clause 5.15A(b)(8)(i). Instead:

- The PADR presented readers with a summary table of alternative options and a brief explanation of the proponent's rationale for not progressing these options was provided (see section 6.5 of the PADR).
- The two credible network options the PADR did assess were, for all practical purposes, the same option (albeit Option 2 included a Virtual Transmission Line to be commissioned ahead of the network solution).

Given alternative options were not assessed within the RIT, it was difficult for stakeholders to identify the relative net-benefits of alternative credible options compared to the preferred option. In particular, there was limited information on the analysis that was conducted to identify options for the proposed interconnector, or on the key drivers leading to one option being selected as the preferred option. It was also unclear whether additional credible options that were not contemplated as part of the PSCR or recent ISPs had been considered.

In its submission to the VNI West PADR, AusNet raised concerns that this lack of transparency around key decisions may compromise stakeholder confidence in the transmission planning and delivery process, and has since met with the RIT-T proponent to discuss our concerns.

2) The economic assessment process is locking in key project decisions in isolation from processes which require a more holistic assessment of the preferred options' net-benefits.

The RIT-T is a binding "economic" assessment that identifies and assesses credible options based on whether the option is (1) commercially feasible; (2) technically feasible; and (3) can be implemented in sufficient time to meet the identified need (see NER Clause 5.15.2).

The Stage 3 Draft Report suggests that social and environmental factors are increasingly being considered as part of the economic assessment process. For example, Figure 2.7 which outlines the counterfactual, assumes a "credible route is identified avoiding significant known risks and sensitivities" before the PACR is completed. Our experience is that RIT-T proponents are starting to consider social and environmental factors alongside the economic assessment process, however the quality and scope of the factors considered varies from project to project and is generally limited to early-stage desktop analysis. This analysis may not equate to the level of due diligence required for a RIT-T proponent to understand areas of social and environmental constraint, let alone identify a credible route.

Further, because analysis of social and environmental factors is not required as part of the economic assessment process, RIT-T proponents are not required to make any information publicly available or explain how its analysis of these issues has influenced the proponent's decision making. Instead, communities are expected to accept the RIT-T proponent's assertion that the selected option is preferred and likely to achieve future jurisdictional planning and environmental approvals.

One of the challenges with this approach is that the economic assessment process is effectively locking in a preferred option at the time the PACR is published – specifically, its functional specifications¹ and a broad corridor of interest – based on economic and technical factors only. These decisions are made in isolation of subsequent processes which require a more holistic assessment of the preferred options net-benefits.

Jurisdictional planning and environmental approval processes typically require project proponents to reassess ISP candidate options previously considered in the RIT (i.e. feasible alternatives) to ensure the credible option selected in the RIT achieves a balance of economic, social and environmental outcomes. In Victoria, jurisdictional approvals also require proponents to consider new options raised through feedback from the community or other stakeholders that may not have been contemplated as part of the RIT.²

For example, a credible option preferred by a RIT-T proponent could have a highly constrained corridor of interest, and therefore face higher land costs, land use constraints and community opposition. Social and environmental factors could therefore negatively impact assumptions around expected generation likely to connect and the project’s commissioning date. In this way, a more holistic assessment, at time of RIT-T, would improve quality of a preferred option’s expected net-benefits, and is more likely to result in a more deliverable and timely project to progress.

Also, following the RIT-T completion, these key project decisions can only be altered to reflect new information if the RIT-T proponent triggers a material change in circumstances (MCC) event. This would require the re-application of the RIT-T in its entirety (see NER Clause 5.16A.4(n)) – noting it can only be triggered in limited circumstances.

In other words, the existing economic assessment process does not practically accommodate the possibility that:

- the decisions made at the PACR may be wrong (or cease to be the most appropriate), or
- new information could emerge in the delivery phase – particularly around social environmental constraints – that may provide good reason to amend those decisions.

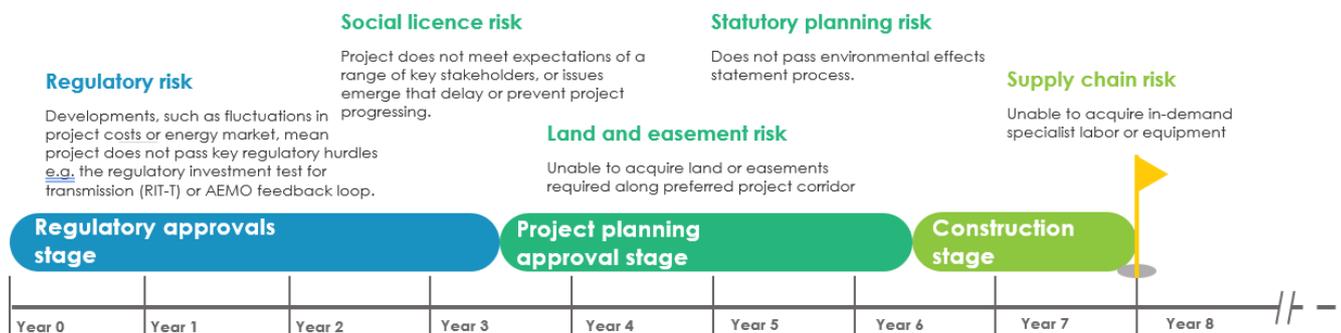
For some projects, it has been assumed these risks can be efficiently resolved or mitigated through the allocation of additional early works funding specific to the preferred option. For the reasons explored below, we do not consider this to be an effective response.

Not addressing the problems with the economic assessment process will drive delays to major transmission infrastructure.

The lack of confidence in the economic assessment process is placing immense strain on the timely development of major transmission projects. AusNet is concerned that if these underlying problems are not addressed, proponents may not adequately mitigate credible risks facing major transmission projects through each stage of their development.

The figure below highlights some of the credible risks faced by major transmission projects. Any one of the identified credible risks could result in a critical transmission project arriving after it is needed, placing consumers’ energy reliability and resilience at risk.

Figure 1: Credible risks to major transmission projects



Source: AusNet

¹ Functional specifications can be set to varying levels of detail. At a minimum it includes a conceptual level single-line diagram that highlights interaction with the existing network; technical performance details around voltage, fault level, power rating and protection performance, communication system interface requirements, functionality of control schemes, network reliability and availability requirements and asset life details.

² For further information about the disconnect between the RIT-T and jurisdictional planning processes please refer to AusNet’s submission to the Stage 2 Draft Report.

The problems identified with the economic approvals process, increase the likelihood credible risks occur in the regulatory approvals stage and project planning approvals stage. It is because of these problems that:

- **Communities are not being given the opportunity to engage with and provide input on issues that matter to them during the process.** As noted earlier, the economic assessment process involves complex analysis across multiple documents which makes decision making hard to follow or input into. Further, due to the narrow factors considered in the economic assessment process, the types of questions communities may seek answers to may not have been fully explored yet. This can include questions around the preferred corridor/route; use of existing easements; impacts on existing land uses, visual amenity and the environment; compensation; compulsory acquisition and coordination with other energy infrastructure. Not being able to respond to these questions as part of the economic assessment process has meant some communities have not had clarity about where they can meaningfully input into decision making or how their views have influenced decision making. These concerns are one reason why projects have experienced vocal community and media opposition at the project planning approvals stage or earlier.
- **Consumer groups are questioning certainty of forecasts around costs and benefits.** Consumer groups are also concerned about whether the economic assessment process is making transparent decisions, and whether the quality and scope of analysis allows for an accurate forecast of project costs and benefits. This recognises that there is still uncertainty surrounding major transmission project once it's completed the economic assessment process, and project decisions cannot be easily amended.
- **RIT-T proponents have limited options to re-shape the project based on stakeholder feedback.** As noted earlier, the economic assessment process is effectively locking in a preferred option as part of the RIT-T. From this point onwards, RIT-T proponents are bound by the parameters established by this preferred option. This makes it difficult for proponents to make changes to the preferred option's functional specifications or corridor of interest without triggering an MCC event, even if another credible option might be preferred from this perspective.

Importantly, triggering an MCC event is generally not in the interests of consumers or the RIT-T proponent as it would result in time delays to re-apply elements of the RIT-T.

None of these outcomes are in the interest of electricity consumers, and they each have the potential to result in significant delays to essential transmission infrastructure (i.e. 12-48 months depending on the context). Collectively, they demonstrate why we need to improve confidence in the economic assessment process.

3. Focus of improvements to the economic assessment process

AusNet suggests a wider set of assessment criteria would better guide the design and selection of alternatives to the economic assessment process.

AusNet strongly supports the intent of the TPIR to improve the timeliness of ISP projects. The timely development of these projects is critical to connect the scale of renewable generation and storage required to protect consumers from impending reliability and resilience risks. This recognises that the existing transmission network across the national electricity market is now best described as at capacity, and grid constraints are a primary barrier to meeting future energy needs and net zero climate objectives.

However, given the problems identified in Section 2, AusNet suggests a wider set of assessment criteria could better facilitate the timely delivery of ISP projects while maintaining rigour. We suggest the AEMC design and select an alternative strawperson option to the current economic assessment process for ISP projects based on the following assessment criteria:

- **Criterion 1: Transparent and participatory** – Rationale is set out in the Draft ISP and PADR in a way that enables stakeholders to understand and test key project decisions, and shares with stakeholders as much supporting information as appropriate to explain and justify decisions. Engagement demonstrates that views of key stakeholders are well understood, and how feedback has meaningfully influenced decision making at each stage.

Note: The AER's 'Better Regulation' program has vastly improved stakeholder participation in revenue review processes, and may provide some insights as to how this might be achieved for the RIT-T space.

- **Criterion 2: Promotes clear accountability** – Promotes singular accountability for transmission planning outcomes, engagement and risk management.
- **Criterion 3: Robust and defensible** – Key project decisions are defensible when considering economic, social, environmental, and cultural factors across the transmission planning and investment lifecycle.

- **Criterion 4: Appropriately allocates risk and responsibilities** – Allocates risks and responsibilities to the entity which is best placed to manage them and has the incentives to do so efficiently.
- **Criterion 5: Avoids duplication** – Avoids unnecessary duplication across the transmission planning and delivery lifecycle (rather than within the economic assessment process).

AusNet has provided feedback on the proposed strawperson options within the context of these assessment criteria in Section 4.

4. AusNet supports further consideration of Strawperson Option 1

Of the options presented, Strawperson Option 1 has the greatest potential to promote timely transmission delivery and satisfy our assessment criteria.

Option 1 proposes to front-load “early works” so that it occurs in parallel to the RIT-T process. The Stage 3 Draft Report suggests this would include proponents undertaking detailed investigation of ‘social licence considerations’ for the proposed options between the PADR publication and the PACR to inform the preferred option selection process.

AusNet supports the intent of Option 1. In our experience, the benefits of bringing forward early works to de-risk later stages of transmission infrastructure development cannot be understated. Assuming the right activities are conducted, early works can:

- Allow proponents to understand whether both credible options and preferred option are defensible when considering economic, social, environmental, and cultural factors, and share information that justifies these key project decisions (criterion 3).
- Enable stakeholders to understand key project decisions, how their engagement has shaped those decisions; and test the assumptions and evidence that underpin them (criterion 1), and avoid unnecessary duplication across the transmission planning and delivery lifecycle (criterion 5)

While the time savings for conducting early works are likely to be project specific, AusNet suggests that the value of de-risking the preferred option and improving stakeholder confidence in the RIT-T could be much greater than the six months proposed. This is because the preferred option is not only more likely to proceed more rapidly through the economic assessment process as suggested in the AEMC’s initial assessment, but is also more likely to mitigate material delays that could occur in the delivery phase of the project. For example, undertaking early works could de-risk:

- **Community dis-engagement and non-acceptance** – Project proponents who are diligent in developing credible and constructible corridors, having first assessed impacts to cultural and heritage, environmental, land productive utilisation and community needs, will stand to achieve a higher successful engagement outcome.
- **Land and easement acquisition** – Project proponents typically engage and negotiate with landholders to obtain options on land and easements required to build transmission infrastructure. Early works could assist by providing RIT proponent with adequate information to select a preferred corridor within an area of interest that is less constrained and has less impact to landholders. This recognises that a project which traverses broad acreage landholdings may shorten the engagement and negotiation phase with landholders. This is because there are less direct engagement points required with landholders and a lower probability that existing operations are impacted.
- **Obtaining jurisdictional planning and environmental approvals** - Project proponents must achieve both federal and jurisdictional planning and environmental approvals in the delivery phase of a project. Early works could assist by making sure the credible options considered in the RIT-T are ‘deliverable’. This could be achieved by reviewing whether any identified credible options pose a relatively high risk of adverse effects when considering social, environmental and economic factors. Without conducting this analysis upfront, proponents may be required to reconsider options discounted in the RIT-T or consider scope revisions as part of its approvals process. This can be an incredibly time-consuming exercise. If jurisdictional planning and environmental approvals are denied, a proponent could be required to re-complete the RIT-T and jurisdictional planning and approvals process based on a new preferred option. AusNet estimates the time required to re-complete the latter is approximately 18-24 months.

It is equally important to recognise such early works also mitigates additional inefficient cost from above that would arise from such delays or additional engagements/studies required to address concerns during the delivery phase.

Option 1 also retains the strengths of the current economic assessment process. This includes promoting singular accountability for transmission planning outcomes and engagement (criterion 2), as well as leveraging TNSPs knowledge of credible delivery risks, their network and local stakeholders (criterion 4).

For these reasons, AusNet supports the AEMC progressing strawperson option 1. Looking ahead, AusNet suggests the AEMC consider the whole of lifecycle time savings that could be achieved from each strawperson option. We also

suggest the AEMC closely consider the scope and timing of early works activities required. Further thoughts on the latter are provided in Section 5.

Strawperson Options 2 and 3 fail across multiple criteria and therefore are unlikely to deliver the time savings suggested in the initial assessment.

AusNet is concerned that the Stage 3 Draft Report's initial assessment of Options 2 and 3 is based on theoretical time savings that in practice are unlikely to be realised.

We are particularly concerned that both options could further erode confidence in the economic assessment process and raise credible risks proponents face across the transmission planning and delivery lifecycle. Compared to the counterfactual, both options are likely to:

- **Reduce transparency and engagement around key project decisions (Criterion 1)** – The initial assessment suggests that centralising the net-benefit assessment could potentially increase transparency as there would be a single NEM-wide methodology for assessing net-benefits. It also says the ISP is already a complex process and stakeholders may not be able to engage with each actionable ISP project at the level of detail they would prefer.

AusNet suggests the latter is the most likely outcome, particularly given both options are likely to reduce the opportunity for communities and consumer groups to engage and input on issues that matter to them during the process. Option 2 is also likely to make projects decisions made across multiple documents even more complex for stakeholders to understand and critique.

- **Replace singular accountability for transmission planning outcomes with split accountabilities (Criterion 2)** – As noted throughout our submission, stakeholders are seeking genuine consultation and input into transmission planning decisions. Both options split accountability for planning and delivery of major ISP projects making it difficult for these parties to understand who is responsible for key project decisions and their associated impacts.

In addition, if multiple parties are engaging directly with stakeholders (including local communities) there is a risk stakeholders are left with different expectations by each party – impacting overall trust in the project. A singular accountable party provides clarity on the right avenue for engagement and greater confidence in any commitments or decisions made have the support of stakeholders.

- **Be less robust and defensible (Criterion 3)** – The initial assessment rightly raises concerns about whether the ISP process can consider all benefits that may be relevant to selecting a preferred option with the same level of granularity as a RIT-T. It also suggests valuable information current provided in the RIT may not be included in the ISP. AusNet echoes these concerns.

Option 3 is likely to perform even more poorly than Option 2 against this criterion due the removal of the RIT and added reliance on joint planning arrangements to provide accurate information and test decisions. AusNet does not consider the level of scrutiny from an ISP alone would be sufficient to provide stakeholders with confidence in project decisions.

Options 3 also asks the project proponent to bear risks for key project decisions made by a third party, with limited flexibility to amend certain elements of the preferred option (i.e. functional specification, broad corridor of interest) (criterion 4 and 5). This may further compound issues outlined in Section 2 where the current economic assessment process locks in key project decisions in isolation of processes which require a more holistic assessment of the preferred options' net-benefits.

We see this as particularly problematic where the planner is a not-for-profit entity such as AEMO that does not have the same incentives (given lack of accountability for project delivery); nor have the capability or financial capacity as a TNSP or jurisdictional planning body, to mitigate credible risks to a preferred option. AusNet has previously raised similar concerns in the context of Victoria's unique transmission planning and delivery framework where AEMO is responsible for complex national transmission planning and system operator responsibilities, but also acts as Victorian transmission planner-procurer under existing contestable arrangements.

For these reasons, Options 2 and 3 may in practice increase the risk ISP projects are delayed beyond their expected commissioning date. AusNet does not recommend they are considered further.

5. Solutions to improve confidence in transmission planning decisions

Should Strawperson Option 1 be considered further, AusNet encourages the TPIR to closely consider the scope and timing of early works during the economic assessment process.

As discussed in Section 4, AusNet supports the intent of Option 1 to de-risk later stages of transmission infrastructure development. The extent to which early works conducted will deliver on this intent and improve the timely delivery of ISP projects will depend on the scope and timing of early works:

- **There are some early works activities that are more likely and appropriate to promote confidence in transmission planning decisions than others**

In order to effectively de-risk subsequent stages of development, Option 1 needs to carefully consider the early works activities that will be completed for ISP Projects.

The Stage 3 Draft Report provides examples of early works that are outlined in the ISP and could be considered as part of Option 1. AusNet does not consider many of the early works examples identified practically feasible to complete during the economic assessment process – or are needed to address stakeholder confidence.

This is because to conduct these early works activities proponents require certainty around elements not confirmed until the PACR is complete (e.g. functional specifications) or well into project delivery (e.g. detailed engineering designs and tower steel prototyping). To present value for money and to maximise benefits, an example of counter-benefit is obtaining binding bids from engineering, procurement and construction providers during the economic assessment process. This is because this action would present significant risk to all parties involved as the functional specifications may change, or be subject to scope changes that erode value for money for consumers. Developing a community benefits scheme or obtaining primary planning and environmental approvals requires proponents to have selected a preferred route in order to understand the relevant community, potential impacts and mitigations.

There are four early works activities that we consider would help promote confidence in transmission planning decisions. Further information on these desktop activities is provided in the table below.

Table 1: Critical early works activities that will help promote confidence in transmission planning decisions

Early works activity	Details	Estimated time to complete
1. Corridor assessment	<p>A corridor assessment identifies the least constrained corridors to meet an identified need based on desktop assessment of economic, social, environmental, cultural factors.</p> <p>The process typically involves three steps:</p> <ul style="list-style-type: none"> • 1A. Corridor Identification: Proponent identifies a shortlist of possible corridors based on an area of interest set by the identified need including potential anchor sites (e.g. terminal station). The proponent then builds a project geographical information system (GIS) to store and analysis publicly available information relevant to each possible corridor. • 1B. Corridor refinement: Proponent further refines possible corridors based on a series of desktop assessments which consider the factors that pose the highest risk of adverse effects (i.e. areas of high constraint or no go zones). This typically includes consideration of the follow factors: cultural heritage; heritage; biodiversity; land use, planning; and areas of farming significance. • 1C. Corridor selection and boundary mapping: The information collated in 1B is typically assessed and analysed by a group of specialists to further refine the corridors and discount any corridors that may not be suitable. The boundaries of the least constrained corridors are then mapped in the GIS. <p>The desired output is a corridor selection report supported by a heatmap of constrained areas to assist with the identifying the least constrained corridor(s).</p>	~6-12 months
2. Environmental and approvals pathway	<p>Building on the corridor assessment and the selection of a preferred corridor, this activity investigates the most appropriate jurisdictional planning and environmental assessment process and approval pathway for the project.</p> <p>In Victoria, an Environment Effects Statement (EES) may be required for a project that may have significant environmental, planning and social impacts. The need for an EES is determined by the Minister for Planning through a referral process under the Environment Effects Act. Depending on initial assessment, it may also require a Federal Environment Protection and Biodiversity Conservation (EPBC) referral to establish if the project presents a significant impact to matters of National Environmental Significant. A preliminary consultation may be undertaken with relevant stakeholders such as the Department of Environment, Water, Land and Planning (DEWLP),</p>	~4-6 month

	Federal Department of Environment, Energy, Climate Change and Water (DEECCW), First Nation Peoples and local councils to further explore approval pathways and timing. The target of this assessment is an environmental and planning strategy recommending an approach and assessment path.	
3. Concept design	A concept design provides a high-level view of the equipment, components and layout required in order to deliver a project within selected corridors. The process typically involves three steps, each with their own 'concept design' outputs: <ul style="list-style-type: none"> • 3A. Towers and Lines Concept Design • 3B. Station Concept Design • 3C. Indicative capex cost estimate. 	~2-6 months
4. Stakeholder engagement plan	In developing a stakeholder engagement plan you can identify and assess the stakeholders and community groups who will be engaged at each phase of the project, and which project party is best placed to make initial contact. Stakeholder engagement should be tailored to suit the individual needs of the project. This recognises there are different degrees of engagement, and at each stage the proponent should be clear on the purpose of engagement and supporting material. The output is a stakeholder engagement plan.	~1-2 months

AusNet recognises that some of these early works require the completion of complex analysis, which may delay the release of the PACR. In particular, the corridor assessment generally needs to be sufficiently progressed to complete the remaining early works activities which can run concurrently.

Having said this, undertaking these early works does not involve significant additional costs or time when considering the full transmission planning and delivery lifecycle. Rather the focus is on shifting the timing of activities from the delivery to the planning phase so to deliver better overall value for customers.

Collectively these activities provide the proponent, consumers and communities with an improved understanding of the projects timing, benefits, costs or risk profile. If a project's risks are better understood and mitigated, the total cost of and time to deliver the preferred option is likely to be less. That is, the benefits unlocked from undertaking early works far outweighs its cost.

- **Conducting early works prior to the release of the PADR will provide proponent and stakeholders confidence that all the options presented are credible**

The Stage 3 Draft Report suggests early works be designed to de-risk later stages of development for the preferred option that is selected and reflect the impact of jurisdictional planning and approvals requirements on the design, costs and benefits of the project.

This was followed by the Stage 2 Final Report which recommended the AER describe early works within its guidance documents as "activities that commence prior to the construction of the preferred option, which are undertaken to improve the accuracy of cost estimates, and/or to ensure that a project can be delivered within the time frames specified by the most recent ISP."

AusNet suggests the AEMC carefully consider when early works activities should be conducted to enable consumers and communities to better input into project decisions made throughout the economic assessment process.

In our experience, best practice linear infrastructure development de-risks the project to the greatest extent possible before presenting a shortlist for public comment. In other words, early works activities are leveraged to give greater confidence that:

- The options identified and assessed in the PADR are the most credible regardless of whether they were previously considered in the ISP
- Credible options have been investigated based on a holistic assessment of economic, technical, social, environmental and cultural factors
- The preferred option delivers the greatest net-benefits based on a holistic assessment of economic, technical, social, environmental and cultural factors.

In practice, this would require RIT proponents to conduct early works prior to the release of the PADR so that the proponent and stakeholders have confidence that the options presented in the PADR has undergone a holistic assessment.

For example, the PADR for an ISP project could present two or three defensible, credible options supported by robust analysis across a range of factors. The preferred option would ideally represent the credible option that explains why this was, on balance, the most economically feasible, technically feasible and best minimised

deliverability risks. This should include transparency on how stakeholder engagement has informed this conclusion. As discussed in previous sections (and given the new 'greenfield' type of transmission infrastructure to be built and hence new risks faced), a thorough assessment of feasible alternatives based on a range of wider factors will de-risk subsequent processes such as land and easement acquisition and jurisdictional planning and environmental approvals.

A broader suite of solutions is available and worthy of exploration.

Improving the scope and timing of early works is one key lever to improve confidence in the economic assessment process. Other complementing potential solutions could also be explored to improve timeliness of transmission infrastructure, and they include:

1. **Amendments that further promote transparency around key decisions made during the economic assessment process** (e.g. requirements for RIT-T proponents to publish certain information, for example a corridor selection report).
2. **Amendments that provide greater flexibility to amend elements of the preferred option without triggering an MCC event.**
3. **Amendments that remove duplication between the economic assessment process, and jurisdictional planning and environmental approval processes** (e.g. The AEMC could coordinate cross-jurisdictional review process to streamline interactions between the economic assessment process and jurisdictional planning and environmental approval process, cognisant of their individual objectives)

AusNet Services

Level 31
2 Southbank Boulevard
Southbank VIC 3006
T +613 9695 6000
F +613 9695 6666
Locked Bag 14051 Melbourne City Mail Centre Melbourne VIC 8001
www.AusNetservices.com.au

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