



Tilt Renewables
GPO Box 16080
Collins Street West
Melbourne
Victoria, 8007
Australia

Phone: +61 3 9654 3066

tiltrenewables.com

2 November 2022

Ms Anna Collyer
Chair
Australian Energy Market Commission
Level 15
60 Castlereagh Street
Sydney NSW 2000

Lodged via: [Lodge a submission | AEMC](#)

Dear Ms Collyer,

Project EPR0087: Transmission Planning and Investment - Stage 3 – Draft Report

Tilt Renewables welcomes the opportunity to provide a submission to the Transmission Planning and Investment – Stage 3 Draft Report.

Tilt Renewables is committed to continue playing a lead role in accelerating Australia's transition to clean energy. Tilt is the largest private owner and operator of wind and solar generation in Australia with 1.3 GW of renewable generation capacity across nine wind and solar farms operating, or in the final stages of commissioning, and another 396MW wind farm (Rye Park in NSW) under construction. In addition, Tilt Renewables has a development pipeline of over 3.5GW including the 1.5GW Liverpool Wind Farm development project in NSW's CWO REZ.

We recognise and welcome the significant change in the outcomes and direction of the Stage 3 draft report compared to the earlier Stage 2 draft report. We agree that there is a need to critically examine several areas of the regulatory framework where the treatment of major projects can be simplified thereby improving delivery times. Most importantly, we welcome reconsideration of the role, and utility, of the current Regulatory Investment Test for Transmission (RIT-T).

Ensuring that regulatory frameworks are fit-for-purpose is critical to enabling the significant and rapid investment in transmission needed to decarbonise the National Electricity Market (NEM) whilst maintaining reliability and security of supply for consumers.

Tilt Renewables support the need for long-term reform under the Transmission Planning and Investment Review (the Review). We strongly agree with the AEMC about the need for timely delivery of major transmission projects to facilitate the transition to net zero. However, the recommendations and scope of the Review are limited, and we are concerned that these limitations may result in not achieving the needed time savings to expedite the delivery and implementation of the required major transmission projects.

Strawperson Options

As a first point, we do not support Strawperson option 3 as this would result in excessive concentration of planning responsibilities within AEMO. We do not consider AEMO to be well-placed, or well resourced, to deliver economic assessments that would deliver confidence in benefits of the Integrated System Plan (ISP). The ISP is subject to robust scrutiny by stakeholders, including the Australian Energy Regulator (AER) and the Customer Panel, and adding economic cost & benefit analysis of different options would likely lead to a more complex ISP process that would increase the risk of further delays to the delivery of new transmission.

Of the three proposed Strawperson models to expedite the RIT-T, Tilt Renewables supports a hybrid of Models 1 and 2 for several reasons. First, such a hybrid would support broader engagement on the route selection to build social license allowing for more rapid decision making on the agreed route. In addition, concurrently undertaking early works and the RIT-T for the entire project should result in material time savings. This reform is further enhanced by removal of the requirement of a RIT-T process for early works. These measures, combined with a least cost economic assessment, rather than the current benefits assessment, should expedite decisions on whether transmission investments should go ahead. We note that options 1 and 2 only accelerate the start of the process and do not address expediting the overall approval and delivery timelines.

Incremental change to the RIT-T will not expedite timeframes to build transmission

In order to expedite delivery of ISP projects, the RIT-T needs to be significantly modified or replaced by a new streamlined process. As we described in our submission to the Stage 2 paper¹, it is difficult to see how a process designed to deliver augmentation projects, can now be fit-for-purpose to deliver new large-scale nation-building transmission projects with only incremental changes. There is an urgent need for new transmission to allow the development and connection of at least an additional 28 GW of new renewable generation².

The Stage 3 paper, and the broader AEMC Transmission Planning and Investment Review, are do not appear to be addressing the urgency of the transmission build requirement. Delays in building transmission to allow access to clean, low-cost renewable generation will result in higher bills for customers³ during a time that is already characterised by high energy costs. It is imperative that the AEMC explore and develop solutions that will result in expediting the delivery of new transmission as soon as practical.

Tilt Renewables is concerned that the Stage 3 paper does not contemplate implementing reforms, such as Stakeholder options 1 and 2, for the next round of Actionable Projects in the ISP Framework. We consider that the next projects to move from “future” to “actionable” in the ISP must proceed through a streamlined and accelerated process---not the current RIT-T.

¹ <https://www.aemc.gov.au/sites/default/files/2022-07/tilt.pdf>

² <https://aemo.com.au/-/media/files/major-publications/isp/2022/2022-documents/2022-isp-infographic.pdf?la=en> (2030-now)

³ https://nexaadvisory.com.au/site/wp-content/uploads/2022/06/Report-Modelling-Electricity-bill-impact-due-to-transmission-delay_2022-06-07.pdf



The benefits of not delaying necessary transmission projects are clear and the NEM cannot afford to wait until 2025, or beyond, for an improved process.

The Review is not well aligned with government policies and plans

It is worth noting that some State Governments have already moved away from the RIT-T for assessing the benefits of new transmission projects. NSW and Victoria have developed their own economic assessments for transmission [the Transmission Efficiency Test (TET) in NSW⁴ and the Victorian Network Investment Test (VNIT) in Victoria⁵], with the NSW framework being implemented rapidly to support the development of new transmission.

The Federal Government, through Rewiring the Nation, is transitioning away from assessing the benefits of new transmission using the RIT-T and has developed assessment criteria more closely aligned to unregulated industries that regularly and successfully deliver significant national and state infrastructure projects⁶.

Therefore, we would suggest that the AEMC should not continue to seek incremental changes to the RIT-T, but instead examine, and potentially refine, options currently being used by governments to underpin their investment decisions for new transmission relying on the assessments of national corporations, such as AEMO Services, the Clean Energy Finance Corporation or the Rewiring the Nation Office of the Federal DCCEE.

Given the established appetite of the state governments to coordinate transmission investment and the willingness of the Federal Government to support investment in new transmission through Rewiring the Nation, the implementation of many ISP-signaled investments in transmission will be via governments and their relevant delivery bodies (Rewiring the Nation Office federally, EnergyCo in NSW, VicGrid in Victoria). For instance, the proposed Victorian Transmission Investment Framework already envisages using the ISP as one route to signal needed investment in transmission which would then be assessed using the VNIT and delivered via VicGrid. This suggests that the States are well placed to action the ISP, with investment support for nationally critical and beneficial projects delivered via the Federal Government's Rewiring the Nation.

We strongly encourage the AEMC to refocus the TPIR to work with governments to develop NEM-wide consistent frameworks for economic assessment based on the approaches being used by the States. Utilising the best work of the States should deliver a fit-for-purpose framework quickly, which will facilitate the rapid build of new transmission through Rewiring the Nation and state delivery bodies, as part of wider REZ plans that successfully coordinate both new generation and transmission.

Additionally, the recent decision and ongoing work of the energy ministers to include an emissions objective in the National Electricity Objective (NEO) renders the need to specifically address emissions in the RIT-T redundant, since the revised NEO will make this a requirement for any activity in the NEM.

⁴ <https://www.energy.nsw.gov.au/sites/default/files/2022-08/regulatory-framework-for-the-tet-and-regulator-determinations-for-network-infrastructure-projects-220224.pdf>

⁵ <https://engage.vic.gov.au/download/document/27045>

⁶ <https://www.pm.gov.au/media/rewiring-nation-supercharge-victorian-renewables#:~:text=The%20Albanese%20Government's%20Rewiring%20the,put%20downward%20pressure%20on%20prices.>

Incentives for TNSPs to fulfill their roles

While we do support placing an obligation on TNSPs to build actionable projects identified in the ISP, we do not support the development of a new incentive for the regulated TNSP to deliver new transmission projects, including the actionable ISP projects. Building new transmission is a core, and profitable, role for all TNSPs that will increase the aggregate value of the regulated asset base (RAB) by \$15 billion. This increase will take the transmission RAB in the NEM from the current \$23 billion⁷ to close to \$38 billion in 2030⁸, an increase of over 65%. The rate of the return instrument allows TNSPs to earn a regulated return of about 5% on the RAB⁹, and this return should be more than a sufficient incentive to drive TNSPs to invest in new transmission and deliver ISP projects in a timely manner without additional bonus payments.

Concessional Finance

Tilt Renewables supports expediting initiatives related to concessional financing likely to be provided by governments, or government entities, including through Rewiring the Nation, for new transmission. However, when TNSPs utilise concessional financing, there must be suitable reductions to the amounts that are allowed to be added to the RAB. Otherwise, TNSPs will realise a windfall gain compared to transmission lines built without concessional financing resulting in electricity consumers being overcharged. The AER needs to take care in their assessment of the appropriate increase in the RAB for projects built using concessional financing and enforce the appropriate reductions.

Given the AEMC is exploring contestable delivery of transmission as part of the Review, any reforms should also consider the interactions with the contestability framework to ensure that the treatment of concessional finance applies not just with regards to TNSPs, but also supports potential private transmission proponents.

Thank you for the opportunity to provide a submission on this matter. If you would like to discuss any of the issues raised in this submission further, please contact the undersigned at Jonathan.Upson@tiltrenewables.com.

Yours sincerely,



Jonathan Upson
Head of Policy & Regulatory Affairs

⁷ <https://www.aer.gov.au/system/files/State%20of%20the%20energy%20market%202022%20-%20Full%20report.pdf> page 59

⁸ \$23 billion (ibid) plus the \$15 billion of investment for current ISP actionable projects (the Review, page 13)

⁹ <https://www.aer.gov.au/system/files/State%20of%20the%20energy%20market%202022%20-%20Full%20report.pdf> page 84