

3 August 2023

Anna Collyer
Chair
Australian Energy Market Commission

By email: anna.collyer@aemc.gov.au

Dear Anna

Accommodating Financeability - Consultation Paper (reference: ERC0348)

ElectraNet appreciates the opportunity to respond to the Commission's consultation paper on accommodating financeability, following the Rule change requests lodged by the Hon Chris Bowen MP, Commonwealth Minister for Climate Change and Energy, and Energy Networks Australia (ENA).

We welcome the AEMC's decision to consolidate these two Rule change requests, which provides stakeholders with the opportunity to consider and engage on these proposals together.

We also support the ENA's Rule change request and its separate response to this consultation, and offer the following by way of additional input.

Transmission is important in enabling the transition to net zero for the Australian economy and globally and in unlocking the benefits of the energy transformation. AEMO in its 2022 ISP identified \$28 billion of net benefits from the identified actionable ISP projects totalling \$12.8 billion¹ which are required to ensure that the needs of electricity consumers are met at the lowest total cost.

It is important that the regulatory framework is able to deliver this investment on a timely and efficient basis. The ability to finance these projects is essential to this.

The AEMC's Transmission Planning and Investment Review recognised that there is a material financeability issue to be addressed for actionable ISP projects. It led to the Commonwealth's Rule change request which is intended to provide the AER with the ability to address this issue, guided by a set of principles.

¹ AEMO, 2022 *Integrated System Plan*, June 2022, page 15.

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However, a discretionary approach as reflected in the Commonwealth's Rule change risks being too subjective to provide sufficient investor confidence to proceed with ISP projects and to undertake the early works expenditure required for their timely delivery, which can be material.

An objective, formulaic approach in the Rules as reflected in the ENA's Rule change request would provide improved certainty for both customers and investors alike. Consistent with the Commonwealth's expectations, this test should provide for the minimum adjustment to depreciation necessary to address any financeability risks.

The preferred approach is for this test to be applied on a project-specific basis. An alternative approach would be to apply a "no worse off" test at the entity level to ensure that a credit rating downgrade cannot occur as a consequence of an ISP project. Under this option, it would be important that, as soon as possible and ideally before the project is deemed actionable in the ISP and any material works are undertaken, that there is sufficient certainty of the metrics the "no worse off" test will utilise to ensure the ISP project will be financeable under the regulatory framework.

ElectraNet looks forward to further engagement with the AEMC as the rule change progresses. If you would like to discuss any aspects of this submission, please feel free to contact Simon Appleby on appleby.simon@electranet.com.au or 0438 286 570.

Yours sincerely

A handwritten signature in black ink, appearing to read "Simon Emms". The signature is fluid and cursive, with a horizontal line underneath the name.

Simon Emms
Chief Executive Officer