



# INFORMATION

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## Improving the workability of the feedback loop

The AEMC has made a more preferable draft rule which would improve the clarity, consistency and predictability of the feedback loop assessment for actionable Integrated System Plan (ISP) projects. Improving the workability of the feedback loop would support the efficient delivery of major transmission projects by Transmission Network Service Providers (TNSPs). It would also help to ensure that the significant expenditure expected to be spent on delivering the ISP is in the long-term interests of consumers.

**We are seeking stakeholder feedback on the draft determination:** Written submissions responding to this draft determination and draft rule must be lodged with the Commission by **25 January 2024**.

The draft determination is in response to the rule change request submitted by The Honourable Chris Bowen MP, Minister for Climate Change and Energy. The rule change request seeks to implement recommendations made as part of the stage 2 workstream in the AEMC's transmission planning and investment review (TPIR).

The rule change request has been fast tracked reflecting the extensive consultation carried out on the issues raised in the rule change request during TPIR.

### The draft rule would support timely and efficient decision-making for TNSPs and market bodies

A clear, consistent and predictable regulatory framework is critical to safeguard consumer interests and for the timely and efficient delivery of major transmission projects.

TPIR found that workability issues with the feedback loop were creating a lack of clarity around the assessment process. This in turn affects the feedback loop's ability to act as intended and can impede the timely delivery of major transmission projects. The draft rule actions the recommendations from TPIR to address these workability issues.

Our more preferable draft rule clarifies the required inputs and timing for the feedback loop assessment which would improve its operation as a consumer safeguard, and reduce the administrative burden on the Australian Energy Market Operator (AEMO). It also supports the timely and efficient functioning of the regulatory framework by providing greater transparency for Regulatory Investment Test for Transmission (RIT-T) proponents regarding timeframes for feedback loop assessment decisions by AEMO.

### The draft rule would improve the clarity, consistency and predictability of the feedback loop

The key features of our more preferable draft rule include:

- Enabling the feedback loop to be assessed against the most recent Optimal Development Path (ODP) in a draft or final ISP which is underpinned by the most up-to-date inputs, assumptions and scenarios.
- Requiring the Australian Energy Regulator (AER) to amend its Cost Benefit Analysis (CBA) guidelines to provide guidance on the timing of a feedback loop request. It would also allow the AER to provide guidance on the timing of when Project Assessment Conclusion Reports (PACRs) are published. This would enable the establishment of an exclusion window between the publication of the final IASR and draft ISP to minimise the risk of misalignment between the RIT-T and ISP.
- Providing TNSPs with the flexibility to undertake concurrent feedback loop assessment and

Contingent Project Application (CPA) processes.

- Requiring AEMO to complete the feedback loop assessment within 40 business days from the later of the date the request is submitted or additional information is received. AEMO would also have the power to extend its assessment by 60 days if it determines the assessment involves complexities or difficulties.

### **Our more preferable draft rule would contribute to achieving the NEO**

The draft rule would contribute to achieving the NEO by:

- **Contributing to emissions reduction** – by supporting timely delivery of the transmission infrastructure required to increase renewable penetration in the energy system and transition the grid to net zero.
- **Promoting principles of market efficiency** – by improving transparency in the feedback loop process and encouraging timely and efficient investment decisions.
- **Providing timely market-wide implementation** – by introducing timely reform, that is simple to implement across jurisdictions and can be applied to future feedback loop requests by RIT-T proponents.
- **Promoting principles of good regulatory practice** – by improving predictability, stability and transparency with the regulatory framework while reducing the administrative burden on AEMO.

The more preferable draft rule would better contribute to the NEO, than the proposed rule, because it more clearly outlines the obligations of market bodies and TNSPs in the feedback loop assessment, particularly where it interacts with other parts of the economic assessment process, such as the CPA.

We consider that operating under the requirements of our more preferable draft rule would not impose any material costs on TNSPs or other market bodies.

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