

24 January 2024

Anna Collyer
Chair
Australian Energy Market Commission
Online submission

Dear Ms Collyer,

ERC0369 – Improving the Workability of the Feedback Loop

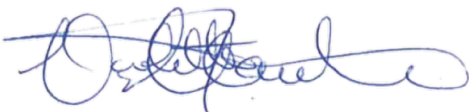
The Australian Energy Market Operator (AEMO) welcomes the opportunity to comment on the AEMC’s draft determination on improving the workability of the feedback loop, in response to the rule change request submitted by The Honourable Chris Bowen, Minister for Climate Change and Energy.

AEMO has a key role in the feedback loop process and is therefore well-placed to provide practical insights into the workability of the process and the interface between the feedback loop and the ISP development processes.

AEMO supports the draft determination, as elements of the proposed draft rule should better support the efficient and timely delivery of ISP projects. This submission provides AEMO’s perspectives on specific aspects of the draft determination in Appendix 1 below.

If you would like to discuss anything further, please contact Kevin Ly, AEMO Group Manager – Reform Development & Insights (kevin.ly@aemo.com.au).

Yours sincerely,



Violette Mouchaileh
Executive General Manager - Reform Delivery

APPENDIX 1: AEMO'S VIEWS AND INSIGHTS ON THE DRAFT DETERMINATION

1. General comments

AEMO welcomes the draft determination. AEMO expects that elements of the draft rule should support efficient delivery of ISP projects by:

- Minimising the risks of timing issues related to alignment between the feedback loop assessment and the ISP and IASR processes, and
- Providing greater transparency and consistency for TNSPs regarding timeframes for feedback loop assessment decisions.

2. Feedback loop requests to be assessed against the most recent ODP in a draft or final ISP

AEMO agrees that the proposed change to align the feedback loop assessment with either a draft or final ISP ensures that AEMO can undertake the assessment against the most up to date inputs, assumptions and scenarios. This also reduces the administrative burden on AEMO of maintaining multiple sets of ISP modelling data.

AEMO issued an ISP Update in parallel with both the Draft 2022 ISP and Draft 2024 ISP in order to allow the latest inputs, assumptions and scenarios to be considered by AEMO when undertaking any feedback loop assessments prior to the release of the final ISP. AEMO would no longer need to issue ISP Updates for this purpose under the proposed rule change.

3. AER's CBA guidelines to provide guidance to RIT-T proponents on the timing of PACR publications and feedback loop requests

AEMO understands the driver to require the AER's CBA Guidelines to provide guidance on the timing of a feedback loop request by a RIT-T proponent.

The establishment of an exclusion window for feedback loop assessments between the publication of the final IASR and the Draft ISP will help to signal to TNSPs that feedback loop assessments requested during this period may not receive notice until the Draft ISP is finalised. It is crucial that AEMO is given the discretion to undertake feedback loop assessments during the exclusion window where appropriate given the circumstances of the request. This discretion will enable AEMO to flexibly manage resources and avoid unnecessary delays to assessments in some instances.

AEMO does not support the introduction of an exclusion window for the publication of PACR by RIT-T proponents as it would likely cause unnecessary delays to project delivery. For example, if a PACR exclusion window existed between publication of IASR and draft ISP, a RIT proponent may have been working on the PACR for many months, using old IASR assumptions. If it missed publication before the new IASR is published, it would have to effectively hold off doing any of its modelling until after the draft ISP is published (and would then be expected to include the new draft ODP actionable projects in the modelling else be considered out of date). This would further delay publication of PACR (could be by up to 6 months).

A PACR exclusion window would not be beneficial as there is no need for the PACR assumptions and the draft ISP assumptions to align. This is because the changes proposed in the draft rule to allow the feedback loop process to undertake assessment against a draft or final ISP would ensure that the recommended

solution still aligns with the most recent ODP. Under the proposed rule change, AEMO is likely to assess a PACR preferred option after the next draft or final ISP following publication of the PACR.

Further, because a feedback loop cannot be assessed until a PACR is published, an exclusion window for the publication of PACRs may unnecessarily delay the delivery of smaller or less complex ISP projects where remodelling is not required.

In the case of Victoria, a PACR exclusion window would unnecessarily restrict project delivery in Victoria where the feedback loop process is not applied.

4. Providing flexibility in the planning and investment framework

AEMO supports the proposed amendment to provide TNSPs with the option to undertake the feedback loop assessment and CPA process concurrently to minimise the risk of ‘bunching’ of feedback loop assessments and subsequent delays in investment. This proposed change aligns with AEMO’s broader goal to improve the timely delivery of ISP projects.

5. AEMO to complete the feedback loop assessment within specified timeframes

The proposed requirement for AEMO to complete the feedback loop assessment within 40 business days from the date the request is submitted is unlikely to have a material impact in practice, given feedback loop assessments that do not require re-running of the ISP modelling (such as the assessments undertaken to date) have been completed in well under 40 business days.

Requiring AEMO to complete feedback loop assessments within the specified timeframe will provide greater certainty for RIT-T proponents regarding feedback loop decisions, particularly in cases in which re-running of the ISP modelling or further analysis is required.

6. Include transitional rules for AER guideline updates and to enable TNSPs that have already applied for a feedback loop assessment prior to the rule commencement to be assessed against the existing rules

AEMO supports the transitional rules that:

- Provide the AER with 12 months to update and publish its CBA Guidelines to reflect the proposed amendments to improve the workability of the feedback loop, and
- Apply the proposed feedback loop amendments to existing actionable ISP projects only if the RIT-T proponent has not already requested a feedback loop assessment prior to the commencement of the rule.