



# INFORMATION

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## Improving the workability of the feedback loop

**The AEMC has made a more preferable final rule which will 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 will help to ensure that the delivery of the ISP is in the long-term interests of consumers. It will also support the efficient delivery of major transmission projects by Transmission Network Service Providers (TNSPs).**

This is in response to the rule change request submitted by the Honourable Chris Bowen MP, Minister for Climate Change and Energy to implement recommendations made by our transmission planning and investment review (TPIR).

Our final rule makes changes to improve the operation of the feedback loop in its role as a consumer safeguard while supporting the timely delivery of ISP projects in the long-term interests of consumers. Timely delivery of these projects is expected to benefit consumers by improving reliability and contributing to lower wholesale prices.

### **Our final rule will support timely and efficient decision-making in the long-term interests of consumers**

The TPIR found that workability issues with the feedback loop were creating a lack of clarity around the assessment process, impacting its ability to function as a consumer safeguard and impeding the timely delivery of major transmission projects.

Our final rule addresses issues with the efficient, timely, and consistent operation of the feedback loop assessment process. It is informed by stakeholder feedback to the draft determination. Specifically, the final rule:

- clarifies the required inputs and timing for the feedback loop assessment which will improve its operation as a consumer safeguard by making it more efficient and transparent.
- supports the predictability and timely functioning of the regulatory framework by providing greater transparency for RIT-T proponents regarding when the outcome of a feedback loop assessment will be known.
- reduces administrative burden on AEMO.

The final rules commence on 14 March 2024.

### **Our final rule will improve the clarity, consistency and predictability of the feedback loop**

A clear, consistent and predictable regulatory framework is critical to safeguard consumer interests and to the timely and efficient delivery of major transmission projects. Our final rule addresses the lack of clarity and workability issues with the feedback loop and enables the feedback loop to function in a way that improves its role as a consumer safeguard.

The final rule also strikes the appropriate balance between improving the efficient, timely, and consistent operation of the feedback loop in its role as a consumer safeguard while supporting the progression of actionable ISP projects through the regulatory framework.

#### **The key features of the rule:**

- Enable 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.
- Require the Australian Energy Regulator (AER) to amend its Cost Benefit Analysis (CBA)

guidelines to provide guidance on the timing of a feedback loop request. This will 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.

- Provide TNSPs with the flexibility to undertake concurrent feedback loop assessment and Contingent Project Application (CPA) processes.
- Require 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 will also have the power to extend its assessment by 60 days if it determines the assessment involves complexities or difficulties.
- Provide transitional rules to assist in implementing the final rule.

### We have made minor changes to our draft rule

Following stakeholder feedback to our draft determination, we have made minor changes to the draft rule to address the risk of project delays and ensure the smooth implementation of the final rule for stakeholders. In our final rule we:

- no longer include a provision for the AER to provide guidance on a PACR exclusion window
- require a TNSP to inform the AER within one business day of the outcome of a feedback loop assessment in the event the TNSP has used the concurrent CPA pathway and AEMO has made a decision not to provide written confirmation
- bring the commencement date for the final rule forward one day to 14 March 2024.

### Our final rule contributes to achieving the NEO

The final rule contributes to achieving the national electricity objective (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.
- **Achieving timely 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 final rule better contributes to the NEO, than the proposed rule, because it more clearly outlines the obligations of market bodies and RIT-T proponents in the feedback loop assessment process. The final rule also maintains the key features of the feedback loop which forms part of the broader economic assessment process that applies to ISP projects, ensuring robust assessment of projects in the long-term interests of consumers.

We consider that our final rule would not impose any material costs on consumers, TNSPs, or any other market participant.

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