



# INFORMATION

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## Bringing early works forward to improve transmission planning

### The AEMC has made a more preferable draft rule

The AEMC has made a more preferable draft rule which would improve cost recovery arrangements for early works. Our draft rule encourages Transmission Network Service Providers (TNSPs) to undertake early works concurrently with the Regulatory Investment Test for Transmission (RIT-T). This would allow for better consideration of social, environmental, cultural and heritage impacts as well as supply chain delays and labour supply issues. These factors have the potential to significantly impact project costs and timeframes.

**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 **4 July 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 under the AEMC's Transmission Planning and Investment Review (TPIR) stage 3 final report.

We have fast tracked the rule change request, reflecting the extensive consultation we have carried out on the issues raised in the rule change request during TPIR.

### Our draft rule supports better upfront planning to minimise the risk of future cost increases

Our draft rule improves cost recovery arrangements for early works by allowing TNSPs to submit an early works contingent project application (CPA) prior to completion of the RIT-T and without requiring AEMO to undertake a feedback loop assessment. It further provides better information and improved transparency for stakeholders, assisting TNSPs with preparing and the AER with assessing an early works CPA. It does this by:

- Introducing a NER definition of early works to guide the AER's assessment of costs in an early works CPA, improve cost recovery certainty for TNSPs and protect consumers from inefficient expenditure.
- Embedding a set of principles into the NER to address the potential risks for consumers if a TNSP undertakes early works prior to completing a RIT-T.
- Clarifying in the NER that AEMO, in the ISP, can specify examples of early works (and preparatory activities) for actionable ISP projects to assist TNSPs with preparing an early works CPA, and the AER when assessing the efficiency of early works costs in an early works CPA.

Through these features, the draft rule strikes a balance between the need for prescription and flexibility for TNSPs to improve investment certainty and enable them to manage project timeframes and costs. This will assist TNSPs with improved upfront planning and timely and efficient investment decisions for major transmission projects.

Additionally, our draft rule proposes a two year delay of the AEMC's ISP review to create alignment with other reforms from the TPIR work program and more broadly with the outcomes of the Energy and Climate Ministerial Council (ECMC) 'supercharged' ISP review.

### The draft rule contributes to achieving the NEO

The more preferable draft rule would contribute to achieving the NEO by:

- **Improving outcomes for consumers.** The draft rule improves outcomes for consumers by incentivising TNSPs to undertake more planning activities, earlier in the economic assessment process. This would enable TNSPs to develop options for transmission investment that more accurately reflect social, cultural, heritage and environmental impacts and assist them in mitigating the risk of later project cost increases and project delays because of later consideration of these impacts.
- **Providing a stable, predictable and transparent framework.** The draft rule promotes simplicity of cost recovery arrangements for TNSPs. It further provides better information and transparency for stakeholders on what planning activities are beneficial and efficient to undertake, assisting TNSPs with preparing and the AER with assessing an early works CPA.
- **Supporting emissions reduction.** The draft rule would support timely delivery of transmission infrastructure. Timely delivery of transmission is an essential enabler of economy-wide emissions reduction.

We consider the more preferable draft rule better contributes to the NEO. In addition to the proposed rule in the rule change request, our draft rule provides additional guidance in the form of NER principles to protect consumers from the risks associated with undertaking early works concurrently with the RIT-T.

### **We encourage you to provide feedback on our draft rule**

Written submissions responding to this draft determination and draft rule must be lodged with the Commission by **4 July 2024**. There are other opportunities to engage with us, such as one-on-one discussions or industry briefing sessions. Please reach out to the project leader through the project page to schedule a discussion.

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