



INFORMATION

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Bringing early works forward to improve transmission planning

The AEMC has made a more preferable final rule to support outcomes for consumers

The final rule improves cost recovery certainty for early works for Transmission Network Service Providers (TNSPs). Early works describe activities such as (but not limited to) stakeholder engagement, corridor assessment, procurement of equipment and assets with long lead times, preparation of jurisdictional planning approvals and easement acquisition.

The rule thereby provides TNSPs with an incentive to undertake more early works for actionable ISP projects earlier in the economic assessment process. By incentivising more and earlier planning activities the final rule will improve the quality of information available to TNSPs when identifying and assessing transmission investment options during the regulatory investment test for transmission (RIT-T). Improved transmission planning through early works mitigates the risk of project delays and later cost increases and thus provides benefits for consumers.

The final rule supports better upfront transmission planning to minimise the risk of project delays and future cost increases

The Commission's final rule amends the regulatory framework to encourage TNSPs to efficiently undertake more planning activities earlier in the economic assessment process by:

- enabling a TNSP to submit an early works CPA without needing to complete a RIT-T and pass AEMO's feedback loop assessment. This provides TNSPs with earlier cost recovery certainty and an incentive to undertake early works concurrently with the RIT-T process. To further support TNSPs submitting an early works CPA, the final rule lowers the threshold for submitting an early works CPA.
- Introducing guidance for TNSPs' preparation and the AER's assessment of an early works CPA by amending the NER to include:
 - A definition of early works
 - NER principles that the AER must have regard to when assessing an early works CPA.
- Clarifies that AEMO may specify examples of early works and TNSPs must carry out preparatory activities.
- Clarifies the treatment of early works costs in a RIT-T by:
 - requiring a TNSP and AEMO to exclude any incurred early works costs that cannot be sold or utilised on another project from a RIT-T and feedback loop assessment
 - including a transitional rule to ensure that any consultation the AER has undertaken in relation to its CBA guidelines update counts towards its consultation obligations under the NER, noting that the AER will need to reflect this aspect of final rule in its final updated CBA guidelines.
- Delays the AEMC's ISP review by two years (completion by 1 July 2027) to allow for other reforms recently completed or currently underway to embed.
- Specifies an immediate commencement date (5 September 2024) and includes a transitional rule that allows a TNSP to elect application of the final rule to an existing actionable ISP project for which the TNSP has already commenced the RIT-T.

Through these features, the final 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.

Our final rule contributes to achieving the NEO

The more preferable final rule contributes to achieving the NEO by:

- **Improving outcomes for consumers.** The final rule improves outcomes for consumers by incentivising TNSPs to undertake more planning activities, earlier in the economic assessment process. This enables 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 final 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 final rule supports timely delivery of transmission infrastructure. Timely delivery of transmission is an essential enabler of economy-wide emissions reduction.

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