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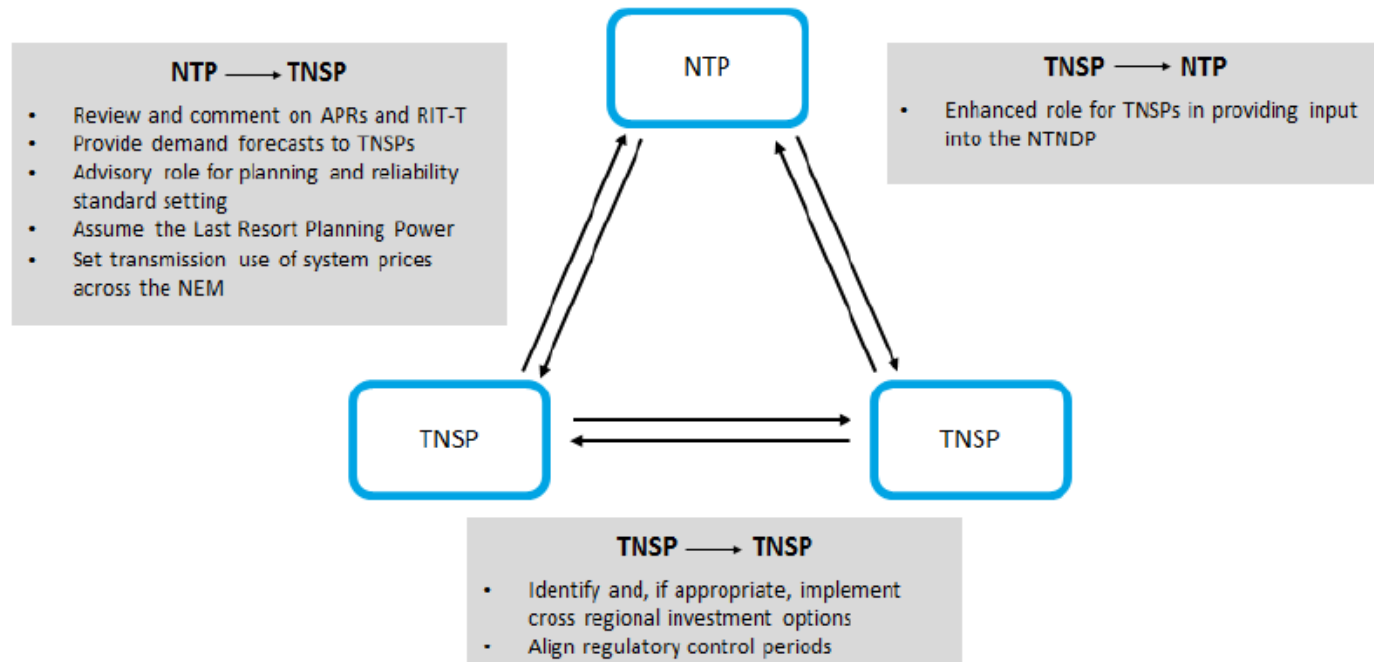
Flexible and efficient national transmission planning

*Thoughts on planning and pricing proposals in the Transmission Frameworks Review
Second Interim Report*

Overview

- TransGrid's initial response to the AEMC's proposed planning and pricing framework:
 - > AEMO's role as national transmission planner;
 - > TNSPs' role in coordinating investment; and
 - > A national pricing arrangement.
- Observations on the AEMC's other proposed enhancements to the planning process.

The AEMC's transmission planning and pricing proposal



- TransGrid welcomes the AEMC's proposal to move to a nationally consistent transmission planning framework.

AEMO's planning experience

- AEMO already delivers:
 - > Energy supply adequacy forecasts (ESOO);
 - > Independent electricity demand forecasts (NEFR); and
 - > Long-term national vision (NTNDP).
- AEMO is in a position to provide a valuable perspective on transmission planning.



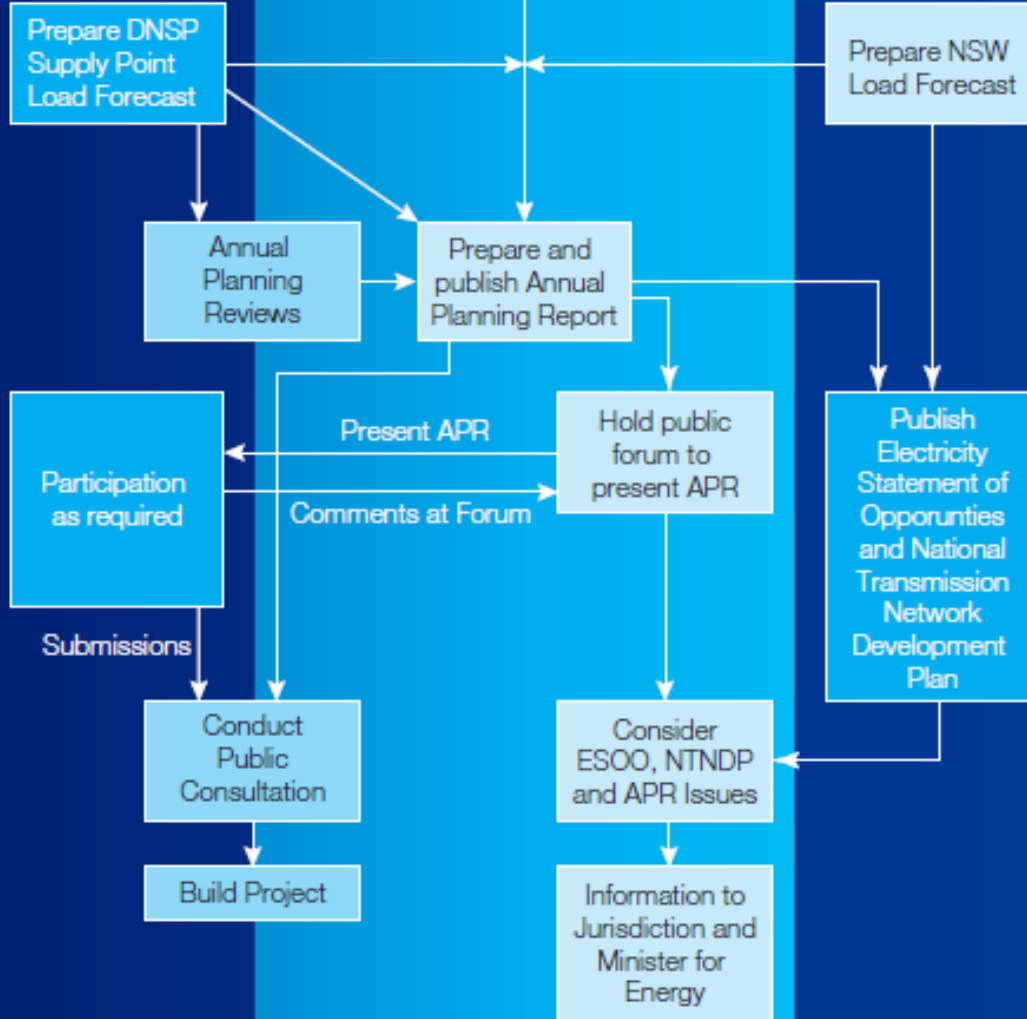
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NSW Registered Participants and Interested Parties

As TNSP

As Jurisdictional Planning Body

AEMO



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A planning partnership

- **AEMO**
 - > NSW region load forecast
 - > Long-term vision
- **TransGrid**
 - > Annual planning
 - > Customer and distributor consultation
 - > Investment

Specific enhancements to the national transmission planner role

The AEMC's proposed enhancements to AEMO's role

Review APR and RIT-T documentation, focusing on inter-regional coordination.

Provide demand forecasts as a starting point for transmission businesses in their APRs

Provide expert planning and engineering advice to AER, Governments

Adopt the Last Resort Planning Power currently held by the AEMC

TransGrid's initial thoughts

In-principle support, assuming that the advice would be consultative, not binding.

In-principle support

In-principle support for planning advice (TransGrid notes that engineering advice is not part of AEMO's functions)

In-principle support

Support for nationally-consistent planning arrangements (1)

- *“The Commission considers that the current arrangements in Victoria, characterised by functional separation and a not-for-profit entity operating making investment decisions, are likely to result [in] less efficient outcomes than would be the case with an integrated TNSP that is subject to financial incentives, provided those incentives are appropriately designed.”*
(AEMC, TFR Second Interim Report).

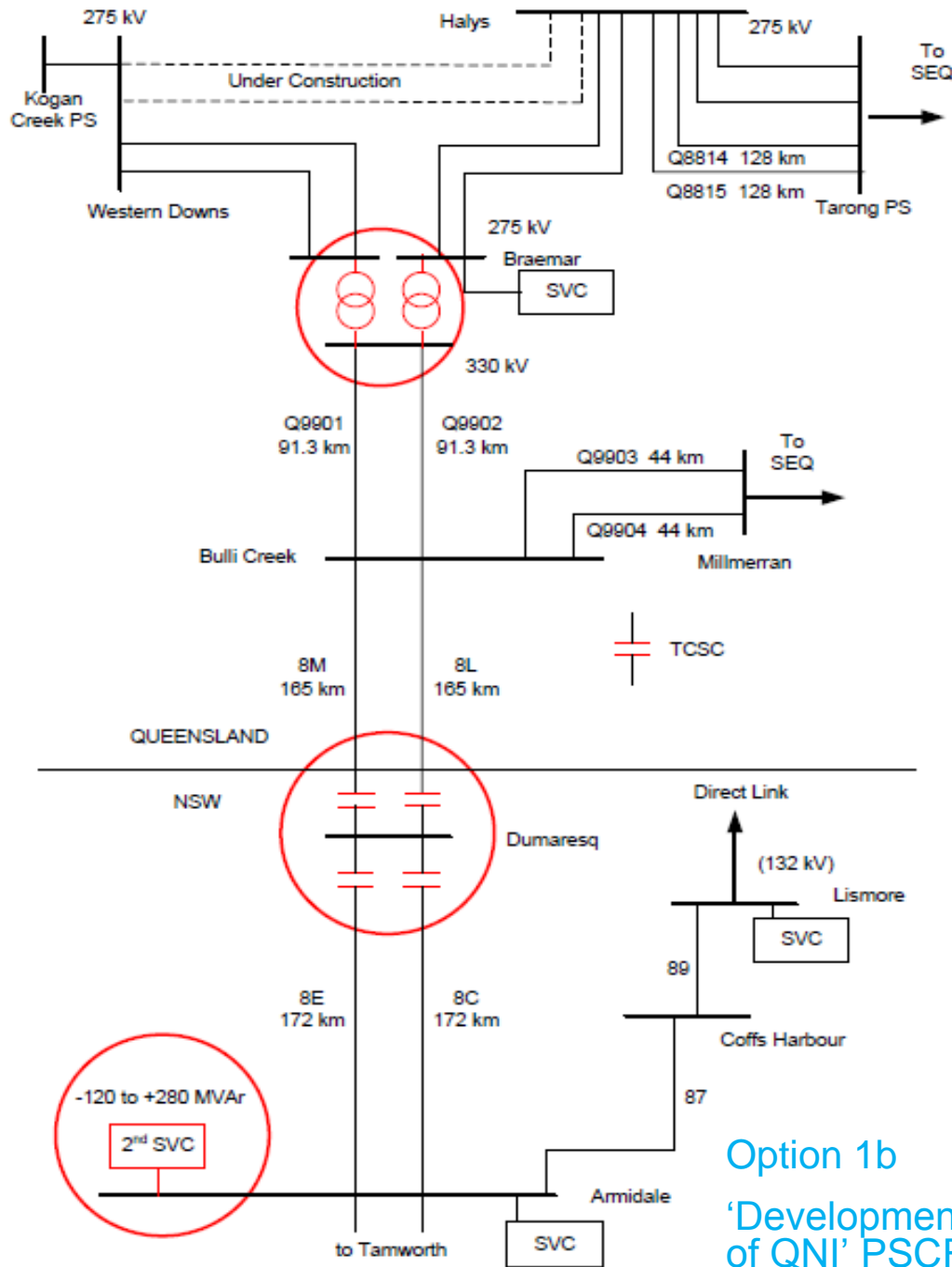
Support for nationally-consistent planning arrangements (2)

- TransGrid agrees with the AEMC that:
 - > With an enhanced NTP role, *“AEMO would essentially be providing a check and balance on its own work”*;
 - > *“A single entity is better placed to trade off the relative costs and benefits of operational and investment decisions”*; and
 - > *“The Commission does not consider that any compelling evidence has been provided to demonstrate that competitive tendering will result in more efficient outcomes”*.

Continuing coordination between transmission network businesses

- TransGrid supports, in principle, the AEMC's proposals for transmission businesses to consult on cross-regional investment opportunities through:
 - > A NER requirement for consultation; and
 - > Incentives and the 'moral suasion' of the public planning process to encourage a transmission network to undertake an efficient investment option which will benefit an adjacent transmission network's customers.

Network collaboration in action



- TransGrid and Powerlink are jointly consulting on developing the Queensland-New South Wales Interconnector (QNI)
- The AEMC is proposing an extension of existing practice

Option 1b
 'Development of QNI' PSCR

How best to administer national transmission pricing?

- It appears reasonable to adopt national cost-reflective transmission pricing between jurisdictions.
- However, good customer service to generators and large customers includes resolving price-setting issues.
- Any national transmission pricing scheme must not introduce complexity and delays in negotiating connection arrangements.


Planning process improvements (1)

- TransGrid endorses several of the AEMC's other proposed enhancements:
 - > Industry-driven alignment of Annual Planning Reports; and
 - > Implementation of a national framework for transmission reliability standards (under a separate Rule change).
- TransGrid is open to further consideration of aligning regulatory control periods.

Planning process improvements (2)

- Planning standards have been a prominent issue in submissions to the Review.
- TransGrid endorses Grid Australia's preferred approach to planning standards:
 - > Standards should be economically derived;
 - > Standards should allow consideration of high impact, low probability events;
 - > Where feasible, standards should be expressed deterministically, for transparency; and
 - > Standards should be able to change over time.

In closing

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- TransGrid generally supports the majority of the AEMC's planning and pricing proposals in the Second Interim Report.
 - TransGrid looks forward to working through detailed implementation issues together.