

# ELECTRICITY TRANSMISSION NETWORK owners forum

## Rule Change Proposal – Regulatory Test thresholds



# Proposed Rule Change – two elements

- Asset thresholds
  - Small asset threshold increase from \$1m to \$5m
  - Large asset threshold increase from \$10m to \$35m
  - Index thresholds going forward
- Network replacements
  - Obligation to disclose information on projects above \$5m

# Asset thresholds - background

- Existing thresholds (\$1m & \$10m) set during Network and Distributed Resources code change package – 2001
- NECA erred toward lower thresholds due to the “newness” of the regulatory arrangements
- TNSPs considered thresholds too low even at that time

# Why do the thresholds matter?

- Determine the level of consultation TNSPs must undertake for augmentations (and thus effort/cost)
- Therefore the information provided to potential non-network solution providers
- Aim is to strike the right balance
  - Not too high – market needs useful information
  - Not too low – unproductive effort/inefficient

# Why is a rule change needed?

- ETNOF contends the current thresholds are too low – the balance is not right
- Lots of information provided
  - an overhead for TNSPs
- Only substantially larger investments have potential non-network solutions
  - based on experience of more than 140 consultations over 6 years
  - 40 non-network related submissions received

# New large network asset threshold

- 44 consultations over 6 years
- 7 non-network solutions adopted
- all related to large network assets in excess of \$35m (in today's \$) – all involved potential transmission lines
  
- The cost of transmission infrastructure has increased substantially, particularly in last few years

# New small network asset threshold

- ETNOF TNSPs have undertaken 100 consultations over 6 years
- Only 1 submission ever received – did not suggest a non-network alternative
- Current APR process requires too much information for very small investments
  - Even a small capacitor bank cost > \$1m
- Threshold is too low – consultations have become an overhead

# Indexation

- Clearly the cost of providing transmission infrastructure increases over time
- The thresholds should be indexed
- ETNOF suggests an external indicator
  - Producer Price Index



# Enhanced information provision

- ETNOF recognises TNSPs need to provide information to market participants and interested parties
- Propose an obligation to provide information on replacement projects over \$5m in APRs
- Results in same level of information for all projects – replacements and augmentations

# Contributing to the NEM Objective

- Providing information on investments is important
- The actual consultation processes for relatively small investments have become an overhead and therefore inefficient
- Raising the thresholds while enhancing information provision will reduce this inefficiency thereby enhancing the NEM Objective

# Questions