



## Distribution network planning and expansion framework

### Draft rule determination: 14 June 2012

The Australian Energy Market Commission has made a draft rule in response to the Distribution Network Planning and Expansion Framework rule change proposed by the Ministerial Council on Energy. The draft rule aims to establish a national framework<sup>1</sup> for distribution network planning and expansion, including new demand side obligations on distribution businesses, within the National Electricity Rules. This will support these businesses and other market participants in making efficient investment decisions which will in turn facilitate the efficient development of distribution networks in the long term interests of consumers.

#### Invitation for submissions

The Commission invites submissions to its draft rule determination, including draft rule, by 9 August 2012.

#### The Commission's draft rule

The draft rule is largely reflective of, and consistent with, the rule proposed by the Ministerial Council on Energy (MCE). However, the draft rule incorporates several policy modifications and a number of amendments to improve and clarify the application and operation of the new national framework.

The draft rule consists of an annual planning and reporting process, and a distribution project assessment process. The key components of the draft rule are as follows:

- a distribution annual planning review;
- a distribution annual planning report;
- demand side engagement obligations on distribution businesses;
- joint planning arrangements;
- the regulatory investment test for distribution (RIT-D); and
- a dispute resolution process for the RIT-D.

A detailed description of the draft rule is provided in the Commission's draft rule determination.

#### Reasons for the Commission's decision

The Commission considers that the draft rule will contribute to the achievement of the National Electricity Objective by establishing a clearly defined and efficient planning process for distribution network investment. This will support the efficient development of distribution networks. The draft rule will also provide transparency to, and information on, distribution business planning activities and decision making processes. This will assist market participants in making efficient investment decisions and enable non-network providers to put forward credible non-network options as alternatives to network investment.

In making its draft determination, the Commission has considered whether the proposed framework will provide for the minimisation of total system costs which should, over time, lead to efficient prices and higher quality and service for consumers. The Commission considers that the draft rule will achieve this outcome.

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<sup>1</sup> Reference to 'national framework' means the national rules proposed to replace the separate rules that have to date operated in each jurisdiction and which would be applicable to distribution businesses in each NEM jurisdiction.

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**Submissions close on 9 August 2012**

## **Background**

Implementation of a national framework for electricity distribution network planning and expansion was first considered in detail in the context of the AEMC's Review of National Framework for Electricity Distribution Network Planning and Expansion.

The final report for that review was submitted to the MCE in September 2009. In September 2010, the MCE provided its response to the recommendations set out in the AEMC's final report. Overall, the MCE expressed support for the AEMC's findings and recommendations.

On 30 March 2011, the MCE submitted a rule change request to the AEMC. The objective of the rule change request was to implement the recommendations put forward in the AEMC's review, subject to several modifications made by the MCE.

The AEMC formally commenced the rule making process on 29 September 2011. On this date, the AEMC also published a consultation paper on the rule change request.

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