

7 March 2012

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Dear Dr Campbell

AEMC draft Rule change – Distribution Network Planning and Expansion Framework  
Transitioning Regulatory Test projects to the RIT-D

Thank you for arranging the Stakeholder Meeting at your offices on 23 February and for the opportunity to provide further information to the Commission. The ENA considers that the proposed Rules do not provide sufficient guidance on the issue of transitioning from the Regulatory Test to the RIT-D. Specifically, what limitations must be assessed under RIT-D and what limitations must be assessed under the Regulatory Test.

Our 24 November 2011 submission raised a concern that the draft Rules provided no guidance as to what stage a DNSP would be required to comply with the RIT-D in relation to identified network limitations where data analysis has been commenced under the present Regulatory Test. The draft Rules should include clear direction on the transitional arrangements for those limitations where data analysis has already commenced under the current Regulatory Test. This is consistent with the principles that new rules should not have retrospective application to projects which have already commenced.

Presently the Rules do not require a Consultation under the Regulatory Test unless the proposed solution would be a new large distribution network asset which has a \$10m threshold, whereas the RIT-D proposed threshold is \$5m. In many instances much data analysis would have been performed and expenditure already incurred by DNSPs in the development of solutions for the Regulatory Test but the Consultation Paper or Final Report stage may not be reached until after the RIT-D Rule final determination.

Provision should therefore be made in the draft Rules for those identified limitations where data analysis has already commenced under the Regulatory Test to be finalised under the Regulatory Test. To assist with the transition to the RIT-D the draft Rules should provide for the identification of DNSP proposed projects at the time of the RIT-D Rules final determination, in instances where data analysis has already commenced under the Regulatory Test. The draft Rules, or an AER direction under the Rules, could require each DNSPs to provide a list of identified limitations to the

AER. Since the AER has up to 12 months to develop the RIT-D Application Guidelines following the publication of the final Rules determination the ENA recommends, as in the initial submission, that at least a further 6 months transitional period following the publication of the RIT-D Guidelines would be necessary. This is required to permit DNSPs to develop an NPV model for the RIT-D, allow for RIT-D internal training for relevant staff, and to develop and refine the required IT and reporting systems.

The benefits of this approach are:

- For the AER – certainty when verifying and monitoring compliance. The approval process would allow the AER to consider the merits of assessing a limitation under Regulatory Test as opposed to RIT-D.
- For non-network proponents – certainty as to which assessment framework will apply to future limitations so proponents can plan how best to engage in the regulatory process.
- For customers – certainty as to how the local DNSP is required to consult and conduct the Test.

The ENA recognises the work put into this Rule change by the AEMC and appreciates the opportunity to contribute to its development. If you have any questions please contact Jim Bain on 02 6272 1516.

Yours sincerely

Malcolm Roberts  
**Chief Executive**