



Review of the national framework for transmission reliability

Publication of issues paper

The AEMC has been requested to develop a national framework for transmission reliability, which takes into account the trade-off between the cost of investing in transmission networks and the value placed on reliability by customers. The AEMC has commenced the first stage of this review with the publication of an issues paper for public consultation.

Purpose of the review

The AEMC has been requested to undertake this review by the Standing Council on Energy and Resources (SCER) as part of a broader package of energy market reforms agreed to by the Council of Australian Governments in late 2012. Under this review, the AEMC will develop a national framework for expressing, setting, and reporting on transmission reliability in the National Electricity Market (NEM).

Jurisdictional governments which adopt the national framework will have the option of transferring the responsibility for applying it to the Australian Energy Regulator (AER).

Each jurisdiction currently has responsibility for the way that transmission reliability levels are set and delivered, which has resulted in different regulatory frameworks in each jurisdiction in the NEM.

A national framework could provide for a more economically efficient, transparent and robust methodology for setting transmission reliability levels across the NEM. It could also improve the ability to plan investments across transmission networks in different jurisdictions and compare the level of reliability that different networks are required to provide.

SCER has also requested the AEMC develop a national framework for distribution reliability. These two frameworks will be developed in parallel, and where possible, the AEMC will seek to maintain high level consistency between these frameworks.

The AEMC's approach to the review

Our advice will set out a national model for delivering transmission reliability that can be adopted in all NEM jurisdictions. If this framework is adopted, it would require changes to the way transmission reliability is currently regulated and delivered. It could also have implications for the way that revenue for transmission businesses is determined and the institutional arrangements that are in place.

Our advice to SCER will build on previous reviews we have undertaken in 2008 and 2010 to develop a national framework for transmission reliability and SCER's response to these reviews.

Since these reviews were finalised, a range of further work has been undertaken to consider the appropriate regulatory frameworks for transmission networks, which may impact the national framework which is developed. The detail of how the national framework would operate in practice will also need to be considered.

Issues for stakeholder comment

The potential for flexibility to allow investments to be advanced or deferred on an economic basis

The AEMC's previous reviews contemplated a national framework in which reliability standards were set using an economic cost benefit assessment and fixed for a defined period. This assessment process would involve comparing the cost of investing in and maintaining the network against the value placed on reliability by customers. However, it has been proposed to the Commission that there is also a case for providing flexibility in a national framework to allow transmission businesses to respond to changes in the costs and benefits of meeting their reliability standards.

This could involve allowing transmission businesses to advance or defer the timing of an investment that would be otherwise needed to meet their reliability standards, where the costs and benefits of the investment have changed materially since the standards were set.

Under this approach, reliability standards would form more of a benchmark that performance would be assessed and reported against, rather than hard standards that would have to be met.

We are interested in stakeholder comments on:

- whether transmission businesses should have flexibility to depart from their reliability standards under a national framework and in what circumstances this flexibility should be allowed; and
- what implications this may have for the AER's revenue determination process.

Operation of the national framework

We are also seeking comments on the detail of how a national framework for transmission reliability would operate in practice. These issues relate to the:

- consistent expression of reliability standards across the NEM;
- economic assessment process for setting standards;
- governance arrangement that should apply, including the process where jurisdictions opt to transfer responsibility for applying the framework to the AER; and
- accountability and compliance obligations under the national framework.

Next steps

Submissions on the issues paper close on 3 May 2013.

The AEMC will consider stakeholder submissions and publish a draft report in August 2013 for public consultation on how a national framework for transmission reliability would operate. A final report would then be published in November 2013.

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