

Strategic Priority 3:

# Transmission framework to deliver efficient investment

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# OVERVIEW

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- To meet the 20% RET target by 2020 and other carbon policies, substantial quantities of new generation plant will need to be connected to the transmission network
  - Changes in the mix of generation
  - Maintaining supply demand balance with substantial increase in intermittent generation
- Monopoly transmission businesses need the right incentives to meet the needs of users and generators and minimise costs

# EFFICIENT UTILISATION OF EXISTING NETWORK

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**A congested network can result in generators and gas producers not being able to generate or flow their desired level of output**

- Lack of evidence about the cost of congestion
- Allocate the capacity to those that value the network the most
- What are the right incentives for network availability?

# FRAMEWORK FOR ASSESSING FUTURE INVESTMENT

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- Enhanced Regulatory Investment Test for Transmission (RIT-T)
  - Are the investments likely to deliver sufficient benefits to outweigh the costs of developing them?
  - Demand side flexibility can be considered as an alternative
- National Transmission National Development Plan (NTNDP)
- Common framework for transmission planning standards
- Scale Efficient Network Extensions (SENES) for remote generation

# ECONOMIC REGULATION OF NETWORKS

- AER approves regulated prices for network businesses
- Recent determinations have increased the allowance for capital expenditure
- Lessons learned from recent determination processes?

NSW capex program = \$14.4 billion for 2009 – 2014

VIC capex program = \$7 billion for 2011 – 2015 (45% increase)

## ► Why?

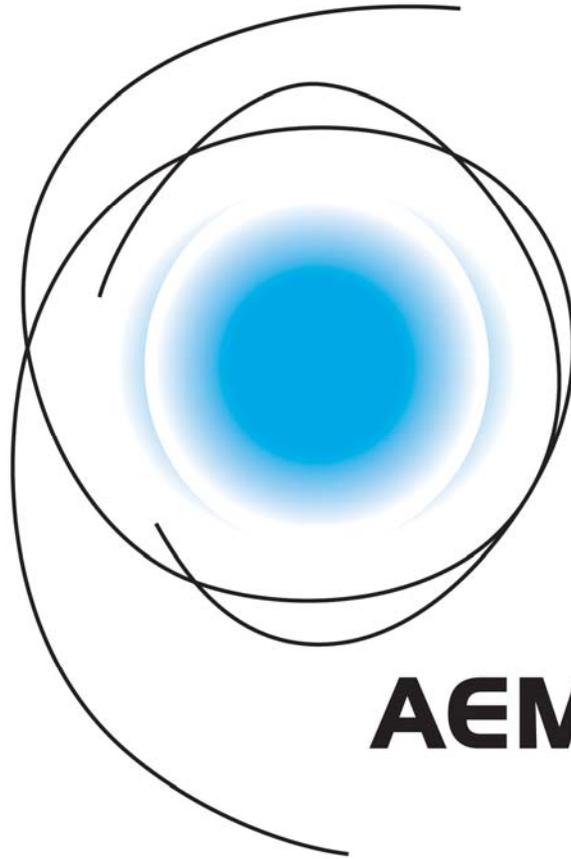
- Replacement of aging assets
- Increased peak demand (strong economy, air conditioning)
- Higher reliability standards (determined by States)
- Higher return on capital following GFC

# NEXT STEPS

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## Work program

- Improving the framework for assessing future investment
  - Review of frameworks for electricity transmission system access and pricing
  - TFP – economic regulation based on benchmarking
  - Distribution network planning
- Current costs of congestion?
- How is the enhanced RIT-T test working in practice?
- What is the use and potential of annual planning documents?



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