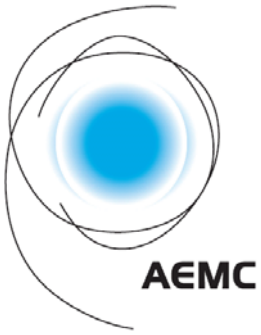

Australian Energy Market Commission

National Transmission Planner Review

Public Forum

Discussion Paper

28 March 2008

Commissioners
Tamblyn
Carver
Woodward

Inquiries

The Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

E: aemc@aemc.gov.au
T: (02) 8296 7800
F: (02) 8296 7899

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About the AEMC

The Council of Australian Governments, through its Ministerial Council on Energy, established the Australian Energy Market Commission (AEMC) in July 2005 to be the Rule maker for national energy markets. The AEMC is currently responsible for Rules and policy advice covering the National Electricity Market. It is a statutory authority. Our key responsibilities are to consider Rule change proposals, conduct energy market reviews and provide policy advice to the Ministerial Council as requested, or on AEMC initiative.

1 Introduction

1.1 The review of national transmission planning arrangements

On 3 July 2007 the Ministerial Council on Energy (MCE) directed the Australian Energy Market Commission (the Commission) to conduct a review into the development of a detailed implementation plan for a national transmission planning function, including providing advice on a revised project assessment and consultation process to replace the current Regulatory Test (the Review). The Commission must provide a Final Report to the MCE by 30 June 2008.

The Review is being conducted alongside and in the light of other major reviews, including the review into electricity transmission network reliability standards and the Commission's Congestion Management Review (CMR). Together these reviews will make substantial contributions to achieving a fully national electricity transmission grid in the coming years. It is likely that achievement of this aim will take place in the context of other major reforms in the energy sector primarily designed to address climate change issues.

In undertaking the Review the Commission has sought submissions from interested parties and held discussions with key stakeholders. The Commission has now developed a number of draft policy proposals on the key aspect of this Review, which are reflected in the companion documents Draft NTP Specification and RIT Specification (the Draft Specifications), attached as Appendices A and B. The Commission's approach been informed by participant responses to a Scoping Paper, *National Transmission Planner* (the Scoping paper) released by the Commission in August 2007 and an Issues Paper *National Transmission Planning Arrangements* (the Issues Paper) released in November 2007.[1]

The Commission now wishes to present for consultation its draft policy proposals at a public forum, to be held on 2 April 2008.

1.2 Policy context

The basis of the MCE direction to the Commission is a Council of Australian Governments (COAG) communiqué of 13 April 2007, which sets out a number of key objectives for conducting the review into new transmission planning arrangements in the National Electricity Market (NEM). The Communiqué requires the establishment of a National Transmission Planner (NTP), whose essential role will be developing a strategic National Transmission Network Development Plan (NTNDP) with broad industry consultation.

The Commission is also required to develop a new project assessment and consultation process, which it has called the Regulatory Investment Test (RIT). The

[1] The Commission has developed its draft policy proposals in the light of consultant advice from Firecone Economics in respect of the NTP arrangements, Frontier Economics in respect of the Regulatory Investment Test, and Brattle in regard to international approaches to transmission planning.

aim of the RIT is to provide a new approach to assessing transmission investments by requiring consideration in an integrated fashion of both market benefits and reliability benefits and ensuring that market benefits include national benefits.

The NTNDP will "outline the long term efficient development of the power system, including the current and future capability of the national transmission network and development options…and provide information to the market in order to guide long term network investment decisions and provide signals for efficient generation investment".

COAG further stipulated that the NTNDP would "not replace local planning, or bind transmission companies to specific investment decisions, override Transmission Network Service Provider (TNSP) performance obligations, or constrain the timeframes for the revenue approval process for transmission companies". Also the NTNDP would not be binding on the Australian Energy Regulator (AER) in its revenue cap determinations.

The Commission notes in this regard that while the new NTNDP is required to contribute to the efficient and nationally integrated long term development of the transmission network, it will not be mandatory. Therefore the NTNDP can only guide or influence behaviour indirectly rather than compel particular investment outcomes. As a consequence, in order for the NTNDP to generate more efficient network development and investment decisions over time, it will need to be detailed, comprehensive and credible, with assumptions and analyses transparently developed and widely consulted upon.

It is with these policy settings in mind that the Commission has developed its draft policy proposals for consultation.

1.3 This document

The purpose of this Discussion Paper is to provide the reasoning behind the Commission's draft policy proposals. It is intended that this Discussion Paper will inform discussion and facilitate debate among participants at the Public Forum.

This Discussion Paper is structured as follows:

- Chapter 2 discusses National Transmission Planner Roles and Functions;
- Chapter 3 discusses the Regulatory Investment Test;
- Chapter 4 discusses Pricing and Revenue Issues;
- Appendix A is the Draft NTP Specification;
- Appendix B is the Draft RIT Specification; and
- Appendix C is a summary of the submissions to the Issues Paper.

1.4 Next steps

The Commission intends to release the Draft Report by mid April 2008. In order to meet the 30 June 2008 deadline for the Final Report, the Draft Report will outline the Commission's proposed recommendations on the National Transmission Planner functions and its draft position on the revisions to the project assessment and consultation process. The Commission will then proceed with addressing and finalising the practical implementation plan and legal drafting for the new arrangements on the basis of its recommendations outlined the Draft Report.

While the Commission encourages stakeholders to attend and participate in the public forum, it will also have regard to further written submissions, where practicable, received before the publication of the Draft Report.

This round of consultation will therefore be the key opportunity for stakeholders to make comments on the draft policy recommendations before the Commission finalises its Draft Report.

2 National Transmission Planner

This chapter presents the Commission's draft policy proposals and supporting reasoning in regard to the National Transmission Planner role and governance arrangements.

The draft policy proposals have been grouped into sections covering: the proposed governance model of the NTP; objectives and functions of the NTP and associated NTP Advisory Committee; and the content of the NTNDP.

Each section includes cross-references to the Draft NTP Specification (Appendix A). The purpose of the Draft NTP Specification is to explain, clearly and precisely, a regulatory framework for the NTP consistent with the Commission's draft policy proposals. It is not draft legal text for the National Electricity Law (NEL) or National Electricity Rules (Rules), although it would represent a sound basis for developing draft legal text.

2.1 Governance

2.1.1 Establishing the NTP

The COAG Communiqué stipulates that the Australian Energy Market Operator (AEMO) shall undertake the new transmission planning functions, and that the National Transmission Planner shall be 'located in' the AEMO. The Commission's Issues Paper consultation invited views on a number of options for establishing the NTP consistent with these policy settings. The options ranged from the NTP being, in effect, a set of functions added to the list of functions the AEMO would otherwise undertake, to the NTP being an independent decision-making body co-located within the AEMO and having access to AEMO resources.

The MCE met on 4 March 2008 and agreed to publish a synopsis of the detailed implementation plan for the AEMO, based on the work of the Market Operator Working Group (MOWG). The synopsis was published on 12 March 2008[2]. The synopsis clarifies two detailed points relevant to designing the governance of the NTP. First, that 'to ensure effective lines of accountability, the AEMO Board should be directly responsible for all functions to be carried out by the organisation"[3]. Second, that the AEMO Board will undertake the functions of VENCorp.

Design options involving the NTP as an independent decision-making body are not therefore consistent with the MCE's more detailed policy settings. The AEMO Board is therefore the NTP (reflected in **Section 1 a. and 2** of the Draft NTP Specification). The AEMO Board will also have responsibility for establishing arrangements for Market Operations Advisory Panels.

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[2] Energy Market Reform Bulletin No. 116 - Australian Energy Market Operator Implementation Plan Synopsis

[3] Energy Market Reform Bulletin No. 116 - Australian Energy Market Operator Implementation Plan Synopsis, Attachment 3, final bullet.

The Commission considers there are likely to be significant benefits from a NTP located within AEMO, including better resourcing, having a wider energy market focus with the combination of gas and electricity, and the opportunity for better integration of power system and transmission system modelling. The optimisation of the two from a long-term perspective should provide more robust investment signals to market participants as well as TNSPs.

In addition, COAG requires that accountability and investment remain with TNSPs, in which case the NTNDP will essentially be an information document only, with no decision making power assigned to the NTP. The Commission considers this lessens the need for explicit independence and accountability mechanisms for the NTP over and above those of the AEMO more generally.

Nonetheless, consistent with the important role envisaged for the NTNDP by COAG, and concerns expressed in submissions to the Issues Paper, the Commission is keen to ensure the overall governance framework encourages credible and high quality outputs from the NTP, and minimises the scope for undue sectoral influence over the NTNDP.

To a large extent this has been addressed by the MCE in its proposed governance model for the AEMO. This model requires that the AEMO board contain a mix of industry and independent representation to safeguard against undue influence from any particular sector over control over functions of AEMO. The board will be appointed by the MCE on the recommendations of a selection panel[4] with two industry and two MCE representatives and an independent chair able to make the casting vote. This reduces the potential for the board appointed by the panel to be perceived as representing particular sectoral interests.

The AEMO will also be subject to the *Corporations Act 2001* requirements and ASX corporate governance principles and recommendations where these are relevant. This requires, for example, appropriate auditing and reporting in respect of the performance of the AEMO, and that board members have no financial interest in matters relating to the exercise of any of the AEMO's functions.

The above safeguards should help to ensure that the NTNDP will be objectively developed and broadly representative of market and public interest. However, the Commission considers some further requirements would strengthen accountability and bring appropriate focus and visibility to the AEMO's role as the NTP. These are discussed briefly below.

2.1.2 Focus and visibility for the NTP within AEMO

The MCE has stipulated that direct responsibility for undertaking the NTP planning functions should reside with the AEMO board. In support of this function the Commission proposes that the AEMO board be required to appoint an NTP Advisory Committee, and ensure that the Committee is appropriately resourced. The NTP Advisory Committee should comprise between three and five members

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[4] Unless at least two thirds of MCE members disagree with the selections made by the Panel, in which case the MCE can ask the Panel to review its decision.

with appropriate transmission and power system planning expertise, reflecting the range of skills needed for developing the NTNDP as well as to ensure sufficient resources are allocated to the role. The chair of the NTP Advisory Committee should be required to be independent of regulatory and industry commercial interests. Further, the NTP Advisory Committee should contain no more than one AEMO board member.

The Commission considers that the core functions of the NTP Advisory Committee should be specified in the Rules, and include the preparation for consideration by the NTP of a draft NTNDP each year, and advice to the NTP in respect of submissions made to consultation on the draft NTNDP. In addition, the NTP Advisory Committee should have the function of preparing advice to the AEMO board on the making of submissions to the AER revenue reset consultations and TNSP RIT consultations.

The establishment of a NTP Advisory Committee would bring further demonstrable focus and visibility under the Rules to the national planning role of the AEMO and reduces the potential perception under an integrated model for the AEMO that it might divert attention and resources away from the development of the NTNDP to short-term market operational matters. However, the role of the NTP Advisory Committee is supportive and advisory, not executive. The AEMO board, in its capacity as the NTP, will decide what draft or final NTNDP to publish, and what public submission to make to AER or TNSP consultation processes.

The establishment of a NTP Advisory Committee and it membership is addressed in **Sections 11 and 13** of the Draft NTP Specification.

The Commission expects that the national planning function within AEMO will require substantive resources and power system and network modelling capability if it is to meet its objective of developing a detailed and comprehensive NTNDP. To this end the Commission considers prescription in the Rules with regard to budget and work plan will create transparency around resources committed to the planning function **(Section 4** of the Draft NTP Specification).

The Commission considers that establishment of the NTP Advisory Committee, its functions and the terms and conditions of its appointment, should be set out in the Rules. This will bring an additional level of accountability and visibility to the NTP planning role separate from AEMO's other functions, in particular those relating to VENCorp, which is consistent with the importance assigned to the creation of a national planning function by COAG and market participants more generally. This should enhance the credibility of the NTNDP.

The terms and conditions of appointment of the NTP Advisory Committee are set out in **Section 13** and its functions in **Sections 8 and 12** of the Specification.

2.1.3 Consultation on the Plan

Consistent with requirements expressed in the COAG Communiqué, the Commission considers that development of the NTNDP should benefit from wide

ranging and inclusive consultation, which is perhaps the most important mechanism for ensuring the NTNDP is objective, transparent and rigorous. The NTP should therefore be required to publish a draft NTNDP for consultation, with subsequent input by stakeholders providing valuable information to the NTP in deciding on and publishing a Final NTNDP.

The proposed amendments to the Rules reflecting these requirements are set out in **Section 8 b. and g.** of the Draft NTP Specification.

2.1.4 Information gathering powers

The NTNDP needs to be sufficiently detailed and comprehensive if it is ultimately to influence actual investment outcomes. It is important, therefore, that the NTP is able to access the information it reasonably requires from transmission companies to meet its objectives, provided it does not breach confidentiality requirements and the cost of providing such information does not exceed its likely benefits. The Commission considers that this should involve an annual information request to each TNSP, and an ability to request information on an ad hoc basis where required.

The information requirements and the process by which information is obtained are set out in **Section 9** of the Draft Specification.

2.1.5 VENCorp functions

The MCE is planning the implementation of the AEMO on the basis that it will undertake the functions undertaken currently by VENCorp, which include both transmission planning and investment procurement in Victoria. The Commission considers it axiomatic that the NTP should undertake the same scope of functions in all jurisdictions. If AEMO undertakes other transmission planning (or procurement) functions, then a degree of functional separation would appear appropriate given the scope for perceived or actual conflict of interest. For example, AEMO will have responsibility for undertaking RIT consultation and making revenue proposals to the AER (in its VENCorp role) and providing submissions to such consultations (in its NTP role). Under the current framework proposed for AEMO governance, the resolution of this issue is a matter for the AEMO Board.

2.2 NTP Objective and Functions

This section outlines the draft policy proposals and associated reasoning relating to the proposed objective and functions of the AEMO in respect of its NTP role, and functions of the NTP Advisory Committee. The Commission has sought to make a careful distinction in the Draft NTP Specification between functions specifically carried out by the NTP itself (AEMO) and those to be undertaken by the NTP Advisory Committee. The NTP Advisory Committee will have primary responsibility for developing and submitting to the NTP a draft NTNDP, and providing advice to the NTP in respect of any matter relating to the exercise of the NTP functions.

2.2.1 Objective

The core objective of the NTP will be to develop a strategic NTNDP outlining the long term efficient development of the power system and, more particularly, the associated network infrastructure required to deliver it. This objective was widely supported in submissions to the Issues Paper.

The Commission is of the view that this objective should be specified in the NEL to recognise formally COAG's intent for the new transmission regulatory arrangements, as well as provide clarity and scope to the NTP in its exercise of the planning functions. While this objective should specifically reference transmission development, the Commission also considers it important that the NTP have regard to the broader National Electricity Objective in the NEL. This recognises the fact that promoting the efficient development of the network is not an end in itself but must ultimately be in the long term interests of electricity consumers.

The NTP's overarching objective is reflected in **Section 2** of the Draft NTP Specification

To facilitate interpretation of this broadly constructed objective the Commission has also sought to include a number of supporting principles in the NEL to which the NTP must have regard in undertaking any of its functions:

- best practice in transmission planning;
- developments in technology that affect transmission and generation development;
- competitiveness and feasibility of fuel sources for generation;
- government policies that relate to or affect the energy sector (including climate change policies); and
- demand side and embedded generation alternatives to transmission investment.

The NTP principles are outlined in **Section 3 d** of the Draft NTP Specification.

2.3 Functions of the NTP

2.3.1 The NTNDP Database

The principal function of the NTP is to publish the NTNDP, which is reflected in **Section 3. a. i)** of the Draft NTP Specification.

The NTP will also be required to publish a publically accessible database of modelling assumptions and analyses used in the development of the NTNDP.

There was broad support in submissions to the Issues Paper for the creation of a national database of modelling assumptions, analyses and other data used to support

the development of the NTNDP. The Commission agrees, and considers that such a database will assist in providing transparency to the development of the NTNDP, therefore enhancing its credibility, as well providing an invaluable information source for market participants and TNSPs in respect of their investment decision making. The data base should include a variety of benchmarked information such as fuel and capital costs for different generation technologies and transmission costs.

The requirement for the NTP to publish a database, and for the NTP Advisory Committee to assist it in this task, is specified in **Section 3 a. ii) and 8b** and details of what the database should contain is addressed in **Section 10** of the Draft NTP Specification.

2.3.2 Last Resort Planning Power (LRPP) advisory role

The LRPP allows the AEMC to direct TNSPs to undertake the Regulatory Test. Currently one of the Inter-Regional Planning Committee (IRPC) functions is to advise the AEMC on whether to invoke the LRPP for investments identified as having considerable market benefits but which have not been put forward for consultation under the Regulatory Test.

The Commission considers there is still a role for such a LRPP advisory function under the new RIT and that this function should be undertaken by the NTP (**Section 3 a. iii) of the** Draft NTP Specification). It could be argued that any such advice would be perceived as having greater independence coming from the NTP, as compared to the IRPC.

2.3.3 Submission to Regulatory Investment Test consultations

The COAG Communiqué requires that the NTNDP outline the long term development of the power system but will not replace localised transmission planning. Accountability for transmission investment and performance is to remain with TNSPs. It further noted that the new arrangements should provide an appropriate balance between achieving an efficient national grid and meeting reliability requirements and should not lead to regulatory approval processes for investment which are slower than current arrangements.

A key implication of the COAG requirement that investment accountability remains with TNSPs is that there should be some delineation of planning responsibility between the NTP and TNSPs, as the Commission noted in its Issues Paper.

However, a significant number of submissions to the Issues Paper were concerned that separating regional planning currently undertaken by TNSPs, from the more strategic national planning to be undertaken by the NTP would lead to inefficient development of the network over time. These submissions argued that the interrelated nature of the network means that even small investments in subsections of the network ostensibly for reliability purposes could impact other areas of the network including those portions of the network in other regions. In this context there is a risk that local planning done in isolation would undermine the efficient long term development of the network.

While the Commission has sympathy for this view, arrangements whereby the NTP involves itself extensively in the planning of TNSPs may not be considered to meet with principles of good governance, since the NTP bears no responsibility for investment outcomes. Moreover, regardless of the involvement of the NTP in local planning, TNSPs will inevitably undertake their own planning as they will bear the ultimate financial and legal consequences of poor transmission investment outcomes.

To address this issue the Commission proposes to confer on the NTP a discretionary role in the RIT consultation process. This would be to provide a formal mechanism by which the long term planning of the NTP and short term planning of TNSPs can be better integrated, without duplication of planning responsibilities. That is, the NTP, as a highly informed participant, should be able to participate in the RIT process and provide independent views on whether an investment option or programme put forward by a TNSP is the most efficient option, having regard to the NTNDP and the alternatives under consideration. This should provide greater effective discipline on TNSPs than currently exists for ensuring that they consider the broader market benefits of the alternatives they put forward under the RIT assessments.

Under this proposal, the NTP will have the same status as any other participant in the RIT consultation process, and therefore this discretionary role for the NTP will not infringe on the accountability of TNSPs for undertaking investment, which is a key COAG requirement. Rather, it will make TNSPs more accountable because of the increased quality of information submitted through the RIT consultation process.

The NTP would not be 'at large' to involve itself in all RIT proposals by TNSPs, as this would not be an efficient use of its limited resources and may affect the timeliness of the regulatory approval process. The NTP would be limited to making submissions only on those transmission investment options and programmes which impact materially on the transmission transfer capability of major energy pathways in the NEM, as currently defined in the rules as National Transmission Flow Paths (NTFPs). This narrows the scope of the NTP to key areas of the network in respect of which changes in transfer capability are likely to affect the efficient long term development of the network.

The role of the NTP in the RIT is described in **Section 3 c. i)** of the Draft NTP Specification.

2.3.4 Submissions to AER revenue reset consultations

The COAG communiqué noted that the AER should refer to both the NTNDP and the advice of the NTP in it regulatory cap assessments.

The Commission sees the NTP advisory role to the AER primarily in respect of its creation of a credible NTNDP, to which the AER can refer in its regulatory cap assessments. A credible and comprehensive NTNDP should influence TNSPs short term planning over time. The NTNDP will identify major network and non-network developments some 20 years into the future, which may begin as high level assessments, but will become firmer and more definitive over time as scenarios evolve and information improves. This will provide relevant contextual information

for the shorter term planning and consultation processes of TNSPs in respect of their Annual Planning Reports (APRs) and the RIT. It will also be relevant to the revenue re-set processes of the AER.

However, consistent with its role in the TNSP RIT process, the Commission considers the NTP could also perform a valuable role in making "public" submissions to the revenue cap consultation process, in line with other market participants. Its independent and well informed views would provide credible input into the regulatory assessment process.

The Commission considers that the AER may seek further advice or input from the NTP provided any such interaction between the AER and the NTP is consistent with requirements in Chapter 6 of the NER, which requires that any advice on which the AER relies or has regard to in its determinations is published. The public nature of NTP advice, in respect of its submissions and the NTNDP more broadly, should provide an appropriate level of transparency with respect to the relationship between the AER and NTP.

The NTP's specific advisory role is addressed in **Section 3 c. ii)** of the Draft NTP Specification.

2.3.5 Advice to the MCE

It is proposed that the MCE has the ability to request the NTP to conduct reviews into matters relating to the development of a strategic and nationally co-ordinated transmission network (S**ection 3b** of the Draft NTP Specification).

2.3.6 IRPC technical functions

The COAG Communiqué requires that the NTP incorporate the technical functions previously undertaken by the IRPC.

The IRPC is convened by NEMMCO and includes a representative from each Jurisdictional Planning Body (JPB). Having a largely technical focus, the key activities performed by the IRPC are:

- facilitating the coordination of inter-network augmentations by developing criteria for assessing whether an augmentation has a material impact on other networks;
- developing guidelines for when an inter-network test may be required;
- assisting NEMMCO to develop inputs for the Annual National Transmission Statement (ANTS) market simulations and coordinating provision of data from JPBs including conceptual augmentations and load forecasts; and
- coordinating activities to improve power system modelling, electricity market simulation, internetworking testing and load forecasting.

The Commission considers that *prima facie* these functions would sit more comfortably directly with the AEMO rather than specifically with the NTP, whose

principal functions relate to the development of the NTNDP and publication of associated information. This requirement is set out in **Section 15** of the Draft Specification.

The Commission further expects that the AEMO will need to establish technical advisory panels to assist it in dealing with the more technical aspects of the IRPC functions and ensure expertise within the JPBs and other sectors is appropriately drawn upon.

2.3.7 Functions of the NTP Advisory Committee

The Commission considers that the NTP Advisory Committee should have a number of core functions. These should include the development of a draft NTNDP for wider consultation and consideration of the NTP (**Section 8 a** of the Draft NTP Specification) and provide advice to the NTP in respect its functions and on submissions in respect of the RIT and revenue cap assessments for TNSPs (**Section 12a** of the Draft NTP Specification)

The NTP (AEMO) should also be able to direct the NTP Advisory Committee to conduct reviews on any matter that may have a bearing on the strategic long term development of the network (**Section 12 b** of the Draft NTP Specification)

AEMO may, in practice, choose to allocate additional functions to the NTP Advisory Committee or to delegate specific decision making to the NTP Advisory Committee, e.g. to make RIT or AER submissions directly, without board approval. However, such working arrangements can be developed by the AEMO board over time.

2.4 The NTNDP

The principal output of the NTP will be the NTNDP. This section sets out the Commission's proposals and reasoning for what the Rules should prescribe as to the content of the NTNDP.

2.4.1 Scope of transmission assets to be included in the NTNDP

An important issue in defining the appropriate content for the NTNDP is the scope of transmission issues it should focus on. In submissions to the Issues Paper some participants, such as ETNOF and Macquarie Generation, argued that the NTNDP should reflect only on major existing and potential transmission corridors defined in some way as having "national significance". Other submissions, such as from VENCorp, ERAA and NGF, considered the NTNDP should reflect a whole of network perspective.

Information on transmission capability is currently reported in the Annual National Transmission Planning Statement (ANTS) in terms of NTFPs, which the Rules define as "that portion of a transmission network or transmission networks used to transport significant amounts of electricity between major generation and load centres". The Commission considers this high level definition meets two important criteria for defining the scope of the NTNDP.

First, by defining relevant portions of the network as those transmitting energy "between major generation and load centres" it captures major energy pathways in the NEM in respect of which material transfer capability changes are likely to affect the efficient evolution of the power system. This is consistent with the envisaged focus of the NTNDP. Second, by avoiding categorisation of flow paths in terms of specific transmission elements or assets, it recognises the interrelated nature of the transmission network. That is, constraints on major transmission elements are often caused by limitations on secondary elements on the network. Therefore, while the NTNDP should focus on transmission capability across NTFPs, it should be permitted to consider all options that might impact on the transfer capability across NTFPs, including where appropriate those secondary network elements.

The Commission considers that if the NTNDP was restricted in its scope to major primary transmission elements only, it may miss significant causes of network constraints and remove from visibility potential investments with substantive market benefits. The NTNDP would therefore be unable to meet its primary objective of providing an informed perspective on efficient long term evolution of network.

Therefore the Commission proposes to retain the current NTFP definition in the Rules for the NTNDP, but also clarify in the Rules that the scope of the NTNDP include those transmission elements (and relevant technical substitutes) which are likely to affect the transfer capability on NTFPs (**Section 7 b. and d ii)** of the Draft NTP Specification).

The Commission also proposes to retain the current annual consultative process for determining and amending NTFPs. Consequently, it would be for the NTP to interpret what constitutes NTFPs under the definition in the Rules, having regard to participant views, and it should not be assumed that this will necessarily be the same as NEMMCO's current interpretation. Further, it is also possible that the NTP might identify different NTFPs across the different scenarios.

Participants will be able to provide their views on the NTFPs when they make submissions to the draft NTNDP under **Section 8 c. and g.** of the Draft NTP Specification.

2.4.2 Planning boundary between NTP and TNSPs

COAG required that the NTNDP outline the long term development of the network but will not replace localised transmission planning. Therefore a natural interpretation of the COAG requirements is that the NTP should have primarily a long term focus as reflected by the strategic nature of the NTNDP, while TNSPs retain the more short term operational investment focus and associated planning responsibilities consistent with meeting reliability standards. The long term focus of the NTNDP is captured in **Section 7 a.** of the Draft NTP Specification, which suggests that that NTNDP should have at a minimum a 20 year forecast horizon.

However, the Commission does not intend to prescribe the precise boundary between short term and long term planning in the Rules, as there is likely to be substantial overlap. Rather it is considered appropriate to build on the current approach used in ANTS where no specific planning boundary between TNSPs and NEMMCO is contemplated in development of ANTS. ANTS is required to outline

the current and future capability needs of NTFPs, including possible investment options for addressing significant transfer capability issues on the NTFPs. However in developing ANTS NEMMCO is required to have regard to the Annual Planning Reports (APRs) of TNSPs. The Commission proposes a similar requirement and approach in the development of the NTNDP (See **Sections 7 and 8** of the Draft NTP Specification).

Where the NTNDP will differ substantially from ANTS, however, is by way of inclusion of more strategic forward looking scenarios and the development of associated transmission investment strategies which the NTP considers to be economically efficient, rather then just technically feasible (which is the current obligation on NEMMCO). These important additions to the transmission planning arrangements are discussed below.

2.4.3 Scenarios in the Plan

Submissions to the Issues Paper were largely in agreement that the NTNDP should present a broad and deep analysis of different future supply and demand scenarios, taking account of different policy, technology and economic assumptions and looking out at least 20 years into the future. This is generally viewed as a significant gap in the current arrangements.

The Commission considers this should be a key element of the NTNDP and this is contained within **Section 7 c.** of the Draft NTP Specification. Consistent with submissions by market participants the Commission also proposes that the development of scenarios, and the factors to be taken into account in developing such scenarios, is consulted on by the NTP Advisory Committee. This is addressed in **Section 8 b** of the Draft NTP Specification.

2.4.4 Transmission development Strategies

One of the key implications of the strategic focus contemplated for the NTNDP is that the NTP will need to develop views in respect of the long term development of the network. In its submission to the Issues paper NEMMCO suggested that the NTP should have the capacity to propose its own "conceptual" augmentation proposals for addressing future network limitations or congestion on the network. Such an approach was broadly supported by a number of other submissions, including those of ETNOF and the ERAA.

The Commission considers that such a role for the NTP would arguably add significant value over the current ANTS, though it will require an independent planning capability.

The approach envisaged by the Commission however is more forward looking and strategic compared with current approaches to deriving conceptual augmentations in ANTS. The NTP would be required to produce a development strategy for each scenario, rather than just identify individual conceptual augmentation options, and include consideration of a range of network and non-network alternatives in meeting future network capability requirements. Network development strategies would

need to take account of future generator locational decisions and the factors guiding such locational decisions, such as access to fuel sources and availability of alternative transport options (gas pipelines for instance).

For these reasons the Commission considers this approach is more appropriately thought of as a "National transmission Flow Paths development strategy".

The transmission development strategies proposed by the NTP should include high level assessment of the costs and benefits of meeting transmission capability needs under a variety of supply and demand scenarios as determined in **Section 7 d. i)** of the Draft NTP Specification. The assessment of costs and benefits at a high level only, recognises the uncertainties of investment proposals a long way out, with the detailed costing and specific identification of "preferred" solutions left to TNSPs as the lead time for investment shortens (**Section 7 d** of the Draft NTP Specification).

2.4.5 Interaction of NTNDP with shorter term planning of TNSPs

Given that the NTNDP is an information document only, it is important to consider how the NTNDP, and more particularly the longer term transmission development strategies contained within it, might influence the actual shorter term investment decisions of TNSPs.

In its submission to the Issues Paper the NGF noted how the NTNDP and the short term planning of TNSPs might interact over time. While long term transmission development strategies produced by the NTP would start out as being highly subjective and uncertain in nature given their long forecast horizon, as the lead time reduces for addressing network limitations and the certainty of information improves, the options or investment programmes presented should become more detailed and definitive. Over time, therefore, with iterative consideration in annually revised versions of the NTNDP and the benefit of input from TNSPs and other stakeholders, the relevant transmission development strategies detailed in the NTNDP should start to influence the near term APRs and investment decisions of TNSPs.

By the time refined investment proposals and programmes initially identified by the NTP find their way into the APRs of TNSPs they will likely have occurred in a number of successive NTNDPs and benefited from substantial refinement and consultation already. The Commission envisages that this should speed up the regulatory approval process for such investment, addressing a key COAG requirement.

The Draft NTP Specification highlights the need to make consequential changes to Chapter 5 of the Rules to oblige TNSPs to have regard to the NTNDP when undertaking their planning functions.

2.4.6 Other outputs of the NTNDP

The NTNDP will also present information on current and future network capability and congestion on the network.

COAG in its Communiqué stipulated that the NTNDP should replace the current ANTS, with the implication that a NTNDP containing less information than ANTS was not being contemplated. This would be unlikely to meet COAG's requirement for an "enhanced planning process" under the new arrangements.

The Commission therefore proposes that the NTNDP retains the current requirement in ANTS to report on existing and future dynamics of network capability and congestion on major NTFPs. Further the NTNDP should not be precluded from presenting other similar types of information such as that related to generator mispricing. This requirement is reflected in **Section 7 e** of the draft NTP Specification.

The Commission also considers it would be valuable for the NTNDP to contain a consolidated summary of TNSP APRs (**Section 7 f.** of the Draft NTP Specification), with commentary on key variations between the NTNDP and previous APRs. This will allow participants to compare and contrast current transmission capability with the expected longer term evolution of the network under a range of scenarios.

3 Regulatory Investment Test

The MCE has also tasked the Commission with advising on a new project assessment and consultation process to replace the current Regulatory Test. This chapter of the Discussion Paper describes the Commission's draft policy proposals for the new project assessment and consultation process and sets outs the Commission's underpinning reasoning.

The new test, which is the Commission is proposing to call the Regulatory Investment Test (RIT), is to remove the current distinction in process between mandatory reliability and discretionary economic investments and ensure that all market benefits, including national benefits, associated with any prospective project are properly considered when deciding between different options. The new test must also not put at risk the ability of TNSPs to deliver solely reliability based projects within appropriate timeframes and ensure that accountability for investment decisions remains with the TNSPs.

The Commission has proposed a new test which is consistent with the intent of the COAG Communiqué, and the principles of good regulatory practice. One facet of this is to ensure that the RIT is proportionate, i.e. it adds value to the decision making process without imposing an unnecessary or impractical burden on transmission operators or other stakeholders.

Appendix B contains a draft specification for the RIT (the RIT specification) consistent with the Commission's draft policy proposals. The purpose of the Draft RIT Specification is to explain, clearly and precisely, a regulatory framework for the RIT consistent with the Commission's draft policy proposals. It is not draft legal text for the NEL or National Electricity Rules, although it would represent a sound basis for developing draft legal text.

3.1 Amalgamating Reliability and Market Benefits

In the NTP Issues Paper, the Commission discussed two possible approaches. Firstly, a full cost benefit approach ('option 1') where all planning is based on a full cost-benefit criterion, with the benefits of meeting mandatory obligations explicitly valued in the analysis. The second approach would maintain the existing least cost approach to projects intended solely to meet mandatory obligations, but would allow for the incorporation of additional benefits where relevant ('option 3').

The Commission's preference is for the adoption of a option 3 approach. This proposal has been widely supported by market participants. Under the proposed RIT, all prospective investments above a suitable cost threshold, are to be assessed under a cost-benefit framework where the selection of the most economic option is based on the objective of identifying options which:

- Maximise the present value of net economic benefits (or minimise the present value of net economic costs) subject to meeting deterministic reliability standards (where they apply).

The presence of deterministic planning standards reduces the scope of options to be considered so as to exclude any options that result in non-compliance with the

relevant standards. Subject to this restriction, the same cost-benefit test is applied across the range of relevant options. Such an approach will be consistent with either a deterministic or probabilistic approach to determining reliability standards. Hence the proposed RIT can accommodate a nationally consistent framework for transmission reliability standards, if such a framework was implemented.

The result will be that TNSPs would be required to investigate whether an enhancement to a reliability project or a different project that met the same reliability standard, would provide additional market benefits that justified a higher cost, and select such a project if one is found. Where no options have market benefits, and hence the project is solely driven by the need to meet a reliability standards, the RIT is effectively a 'least cost' test analogous to the test applied under the 'Reliability Limb' of the current Regulatory Test.

Where deterministic standards exist, it is proposed that only the incremental reliability benefits of exceeding the standards need to be quantified for the purpose of the RIT. This will prevent a TNSP from undertaking unnecessary analysis and ensure that a common framework can apply in all jurisdictions. A consistent methodology for quantifying reliability benefits for the new RIT might usefully be developed by the AER through its normal consultation procedures for revising the RIT guidelines.

Under the proposed RIT, mandatory reliability obligations would be met by the option that had the highest positive net present value (NPV) or lowest negative NPV. Other discretionary market benefit projects would be met by the option which had the highest positive NPV. The Commission also sought comments on whether this decision making rule was robust enough, and whether there was a need to introduce more specific decision making criteria such as maximising the ratio of net benefits to costs. There was little support from submissions for more specific decision making criteria and the Commission has not seen any evidence to suggest that the current basis for the decision rule is a material problem. Therefore the proposed RIT maintains the existing basis for the selection of the most economic project.

3.2 Inclusion of National Market Benefits

As part of developing the new RIT process the Commission has also been asked to review whether the current definition of market benefits is sufficiently comprehensive to capture all national benefits rather than those focused within a region of a TNSP.

The current Regulatory Test defines market benefits as "the total benefits of an option to all those who produce, distribute, and consume electricity in the NEM". The Commission considers this definition is sufficiently broad to capture national benefits, but is concerned that it may have been interpreted too narrowly under current applications of the Regulatory Test. There is the propensity for TNSPs to focus only on the impact of augmentations within a particular jurisdiction.

It is envisaged that the new RIT, by amalgamating reliability and market benefits, will encourage TNSPs to broaden the scope of possible market benefits they consider in examining project options. It is proposed that the Rules provide greater

prescription on the dimensions of the RIT by mandating a list of market benefits and costs that a TNSP must consider in undertaking the project assessment stage of the RIT (**Section 3 a** of the Draft RIT Specification). This address a perception under the current regime of scope for 'cherry-picking' of classes of benefit to be quantified.

Also, to improve the transparency of project assessments, TNSPs will be required to specify the value of any market benefits which occur outside the TNSP's region. The identification of national benefits will also be aided through the information contained in the NTNDP, and through requiring TNSPs to hold a prior consultation on prospective projects before any assessment. Market participants, including the NTP, will be able to make submissions on possible alternatives and possible market benefits associated with a prospective investment. In addition, the AER will continue to be tasked with providing guidance and methodologies on how to estimate inter-regional market benefits (**Section 10** of the Draft RIT Specification sets out the provisions relating to the AER RIT guidelines).

3.3 Framework for the Regulatory Investment Test

The current Regulatory Test has two distinct planning and consultation processes ("limbs") for selecting the most efficient transmission augmentation option. The COAG Communiqué required the Commission to advise on amalgamating these two regulatory test criteria for reliability and market benefits projects. However, the current processes for mandatory reliability and discretionary market benefit investments differ not only in the decision making criteria but also in the required consultation and assessment processes, and the grounds for dispute. As noted in submissions, reliability investments have a shorter and simpler process to follow compared with market benefits investments. Therefore the Commission's task is to develop a new test which is capable of being applied consistently across all prospective investments, irrespective of whether the primary motivation for the investment is to meet reliability standards or not.

In this regard, the Commission has developed a proposed revised framework for the application of the new RIT. The new framework is based on elements of the current arrangements and addresses:

- What should be the scope of projects subject to the new process?
- When and on what basis should consultation occur?
- What costs and benefits should be recognised and quantified?
- How should the range of options for consideration be identified? and
- What should be the appropriate dispute resolution process?

3.3.1 Scope of Projects

Cost thresholds

The Commission considers that there should be a dollar threshold below which the RIT is not undertaken. This is a feature of the current Regulatory Test, and would appear to have merit as a means of ensuring that the administrative burden of the test remains proportionate.

Currently all augmentation projects estimated to cost more than $1m are subject to the Regulatory Test. The rationale for exempting small scale projects is that there is less profit potential and hence less incentive on the TNSP to favour uneconomic solutions. Furthermore such projects are subject to economic efficiency regulation under chapter 6A of the Rules.

It should be noted that the Commission is currently considering a Rule change proposal from the member of the Electricity Transmission Network Owners Forum (ETNOF), among other things, to increase this threshold from $1m to $5m.

The Commission recognises the potential merit of a threshold for application of the RIT, but has not yet finalised its analysis. It is undertaking further work to ensure that the threshold is appropriately calibrated, given the other changes that are proposed for the RIT relative to the current Regulatory Test, including:

- the threshold being applied to the most expensive option across the range of options being considered, rather than the cost of preferred option; and

- the removal of the 'reliability limb', and the resultant significant increase in the proportion of projects that would require benefits to be quantified as part of the project assessment consultation.

The Commission is currently minded to adopt a threshold in the range $5m to $10m for application of the RIT, subject to further analysis and the views of stakeholders. The Commission would welcome submissions on this specific issue.

Types of investment – augmentation, replacement and reconfiguration

The Commission considers that the scope of projects subject to the RIT should be expanded to include network reconfigurations, and also situations where there is scope for replacement and augmentation investment to be considered together. This addresses the concern about a possible lack of sufficient incentives for such investment because of the potential distortions to arise because such projects are not subject to the Regulatory Test. It has also been suggested that there is a lack of incentives for TNSPs to consider alternative non-network options when proposing to replace or reconfigure the existing transmission networks. This proposal was widely supported by market participants and TNSPs.

In March 2007, the Commission rejected a Rule change proposal submitted by Stanwell on this matter, suggesting that the issues raised would be best dealt with in a specific review of the application of the Regulatory Test. In the Issues Paper, the

Commission indicated that this Review presents an appropriate opportunity to evaluate this issue.

Reconfiguration investments generally arise when an asset require replacement and a TNSP identifies more efficient asset configurations to deliver require system performance associated with the particular location. Although reconfigurations and replacement expenditure projects are not subject to the Regulatory Test process, TNSPs are still subject to the financial incentives promoting efficient behaviour under the Chapter 6A framework.

With respect to "like-for-like" replacement expenditure, the Commission notes that any investment decision may have scope to deliver market benefits, even if the primary motivation for the investment is to replace an existing network element such that the prevailing capability of the network is maintained. Where other options exist which might deliver greater market benefits exist, those optios should be assessed. However, where options other than like-for-like replacement do not exist, the RIT should not apply. To require TNSPs to apply the RIT in these circumstances would represent an unnecessary regulatory burden.

The Commission notes that greater information disclosure than is the case under the current Regulatory Test is likely to be required for projects outside the scope of the RIT and that there should be a general requirement on TNSPs to ensure that such projects are planned on the basis of maximising economic benefits (**Section 2b** of the Draft RIT Specification).

Urgent and Unforeseen network investment

The Commission proposes that 'urgent and unforeseen' transmission investment is exempt from the RIT (**Section 2a** of the Draft RIT Specification). This addresses directly a requirement of the COAG's Communiqué that the new regime must not reduce or adversely impact on the ability for urgent and unforeseen transmission investment.

The Commission notes that there should be sufficient flexibility within the contingent project mechanism to accommodate large foreseen but uncommitted investments and also that under Chapter 6A framework that going forward, all actual capital expenditure is rolled into the regulatory asset base without ex post prudency or efficiency assessment. Therefore under the current framework, TNSPs have access to funds to undertake urgent and unforeseen investments. The Commission's proposals for the RIT ensures that there are no other delays driven by regulatory procedure.

Under the proposed RIT, all prospective projects are required to be assessed on their ability to deliver both reliability and economic market benefits. This will require more analysis and resources compared to the current arrangements where reliability projects are assessed on a least cost. Requiring such investments to go through the proposed RIT process would place at risk the TNSPs ability to deliver the necessary investment within the define timescales, if the investment were urgent and unforeseen. This would fail to meet the objectives for the new regime set out in the COAG Communiqué.

While there is potential for this exclusion to be exploited by TNSPs, the Commission considers that the risk is relatively low. Misuse of this exclusion will represent a failure to comply with the Rules, subject to AER enforcement measures. Further, in the absence of extenuating circumstances (such as damage to a network due to extreme weather), the exclusion for urgent or unforeseen investment represents an admission of a planning failure by the relevant TNSP, and as such will carry a reputational cost. The Commission also notes that the likelihood of unplanned augmentations being required urgently should decrease over time under the new national transmission planning arrangements.

3.3.2 Project specification consultation

The COAG requirement that the two 'limbs' of the existing Regulatory Test are integrated into a single 'limb' has implications for the consultation process underpinning the RIT. The current procedural differences determined by a TNSP's decision as to whether an investment is reliability or market benefits driven cannot be rolled forward in the context of a single 'limb'. A standard consultation process must apply to all projects subject to the RIT.

A key change effected through the Commission's Regulatory Test principles Rule change determination was the requirement for TNSPs to publish a Request for information (RFI) on potential options when applying the market benefits limb to new large transmission assets (those likely to involve more than $10 million of capitalised expenditure). The rationale for the RFI requirement provided in the Commission's Final Rule Determination was threefold:

- to overcome the potential for gaming – both the incentive of opponents of a transmission investment to scuttle a transmission proposal by proposing unrealistic alternatives and the incentive of TNSPs to take too narrow a view of alternative options or scenarios;
- to help ensure something is built – so that augmentation options are considered against likely alternatives rather than alternatives that may not be developed; and
- to take account of regulatory failure – in that the theoretically 'best' alternative may not actually proceed.

The Commission proposes to include a similar consultation stage, which is called the project specification consultation, into the RIT (**Section 6** of the Draft RIT Specification). All projects subject to a RIT assessment will be required to go through a project specification consultation. This consultation stage will help to ensure that all potential options are identified and considered and will enable market participants, including the NTP, to inform the TNSPs on the extent of possible market benefits associated with the proposed investment.

Some TNSPs have argued against any prior consultation on the grounds that it may lead to unnecessary delays. The Commission considers that prior consultation is necessary to improve the identification of alternatives and market benefits. Any process that enables TNSPs to label a prospective investment as a solely reliability

project without consultation and assessment would retain the current distinction and not be consistent with the COAG Communiqué.

The precise timing of the project specification consultation will need to be determined by each relevant TNSP. However, the Commission considers that it should occur at an earlier point in the process than the current Request for Information consultation, which generally occurs when the a TNSPs preferred option is fully developed and costed. In contrast, the purpose of the project specification consultation is to identify the circumstances prompting consideration of an investment response, and to set out the range of credible options for addressing the issue. The TNSP does not need to declare a preferred option at this stage, although in some circumstances it might wish to do so. At a minimum, the Commission considers market participants should have 26 weeks to respond to each project specification consultation (**Section 6g**). The Commission would appreciate specific comments from interested parties as to whether such a time frame is appropriate.

3.3.3 Selection of Market Benefits and Costs to Quantified

The Commission considers that the RIT should be supported by greater prescription in the Rules as to which classes of benefit and cost should be quantified at the project assessment stage. This will promote consistency in application of the RIT, and remove any perception that results are influenced by the selective inclusion or exclusion of classes of costs or benefits.

The Commission is evaluating two possible approaches. One approach would be to mandate the quantification of all market benefits. The alternative approach would give the TNSPs some guided discretion to decide, after a process of consultation, which classes of benefits require quantification on a case-by-case basis.

The Commission does not support mandating the quantification of all costs and benefits in all cases. It considers that guided discretion, in some cases, can add value by reducing the risk of compliance costs being unnecessarily high or the risk of unnecessary procedural delays.

However, the default position should be that all classes of benefit are analysed at the assessment stage unless there are good reasons for not doing so. The burden of proof should be on the TNSP to demonstrate why a particular class of benefit does not need to be analysed in a particular set of circumstances. The project specification stage provides a mechanism for TNSPs to present such reasoning for consultation, prior to finalising the analytical specification of an individual RIT assessment.

The Commission also proposes removing TNSP discretion to excluded certain classes of benefit from the RIT if the maximum cost of the projects being considered is above a certain cost threshold. The Commission's current view is that this cost threshold should be in the order of $25m to $35m (**section 6b and 6c** of the Draft RIT Specification).The exception to this framework is competition benefits, where it is proposed that the TNSP should have discretion to include or exclude in all cases. This reflects the complexity and cost of the analysis required to quantify competition benefits, e.g. the modelling of market outcomes under assumptions of strategic behaviour. In relation to this, the Commission notes the comments made by the

ACCC in its decision on developing version 2 of the Regulatory Test where it noted the difficulties in undertaking competition benefits analysis.

The Commission would appreciate specific comments from interested parties on this approach and the appropriate cost threshold, given the need to balance analytical rigour with administrative burden.

3.3.4 Selection of Credible Options for assessment

The Commission proposes that the current arrangements for selecting credible options for discretionary market benefit investments is applied to all prospective investments under the RIT.

The application of a cost benefit framework requires the identification of the range of credible alternatives to be assessed. The most appropriate approach for this is for a TNSP, under an objective framework (including consultation) set out in the Rules, to determine which alternatives are credible and should be assessed under the RIT. The Rules should specify the definition of a credible option and require the TNSPs to apply this definition in an objective and balanced manner (**Section 4** of the Draft RIT Specification).

With respect to the framework for the selection of credible options, the Commission considers that the current arrangements for identifying credible alternatives for discretionary market benefits investment are sensible and appropriate. Therefore it is proposed that such arrangements are extended to cover all projects.

The Commission considers that the proposed arrangements will give sufficient protection for TNSPs to dismiss unrealistic or insubstantial alternatives, while also ensuring that realistic and well-defined alternatives are given due consideration. The Commission notes that whether a project has a proponent would be a factor that the TNSP could have regard to when deciding whether an option is credible or not. This removes the current restriction that an option must have a proponent if it is to be considered as credible, in circumstances motivated by mandatory reliability obligations. Removing this restriction reduces the risk that practicable and efficient options are overlooked.

3.3.5 Dispute Resolution

The Commission has develop a common dispute resolution process to apply to all large prospective investments.

Under the current arrangements, only issues relating to new large transmission augmentations (projects costing more than $10m) can be disputed. Also the dispute process and possible grounds for dispute differ depending on whether the augmentation is labelled as a reliability investment or a discretionary market benefit investments. The scope for disputes is greater for market benefits investments than for reliability augmentations.

The Commission's task is to develop a RIT which is capable of being applied consistently across all prospective investments. This requires a single, consistent

framework for disputes. A dispute resolution framework based on two separate 'limbs' is not feasible under an integrated test.

The Commission proposes that for all new large transmission augmentations, interested parties can raise disputes in relation to the application of the RIT assessment, including the choice of credible options, the choice of classes of benefit to quantify (where applicable), the accuracy of the analysis, and the results of the RIT.

It is also appropriate for the Rules to contain more specification and detail on the basis for resolving disputes. The Commission is concerned that the current Rules do not specify any criteria or framework governing the AER in determining disputes. This creates uncertainty for participants disputing the assessment and the affected TNSPs.

Under the RIT, it is proposed that the AER's role in determining dispute is limited to assessing whether parties have correctly applied the RIT in accordance with the Rules, and directing the TNSP to amend its analysis accordingly. The AER's role should not, in the Commission's view, be a merits review. Further, it is important that the AER has the ability to reject disputes immediately if the grounds for dispute are invalid, misconceived or lacking in substance. This safeguard is needed to protect against parties raising baseless or vexatious disputes in order to delay projects.

Under this proposed framework, 40 business days should be sufficient time to enable the AER to make a dispute determination. The Commission would welcome comments on whether this time frame is appropriate.

The framework for dispute resolution is set out in **Section 9** of the Draft RIT Specification.

4 Pricing and Revenue Issues

4.1 Simultaneous Reviews for TNSPs Revenue Determination

The Terms of Reference requested the AEMC to give 'consideration of alignment of regulatory periods to further reinforce the national character of the planning arrangements. The ERIG report stated their view that the current arrangement of sequential revenue cap determinations limits national co-ordinated investment because individual TNSP revenues were determined in isolation and this situation may neglect opportunities for inter-regional investment planning. The current arrangements were also considered to impinge upon the regulator's capacity to evaluate costs to determine efficient expenditure levels.

The Commission is not proposing alignment of TNSP revenue determinations because, in its consideration, any benefits from alignment are outweighed by the associated costs. All submissions received were against this proposal and raised significant practical difficulties. The AER argued against alignment because it would create onerous resourcing constraints on its regulatory functions and it noted that it would not be possible to aligned the control periods until 2019. The Commission considers that the proposed NTNDP plus the use of contingency project mechanisms will help to address the concerns raised by ERIG.

A number of submissions raised the alternative proposal of aligning each regions' transmission and distribution revenue determinations, especially once the AER takes over responsibility for distribution. The Commission's initial view is that such alignment could be beneficial to the market and proposes to advise the MCE to consider this.

4.2 Consequential changes to Chapter 6A

The MCE Terms of Reference states that "AER will have regard to the Plan and the advice of the NTP when making revenue determinations, and the TNSPs when putting forward to revenue proposals to the AER, to demonstrate that projects are aligned with the Plan". The Commission considers that two amendments to chapter 6A are needed to implement this.

First, when submitting capital expenditure proposals to the AER, TNSPs should be obliged to provide a detailed analysis of the relationship between their proposal and the development strategies contained in the most recent Plan, in particular where there are significant variances between the TNSP proposals and the Plan. In the Commission's view, this increases the extent to which TNSPs are accountable for their investment proposals and decisions.

Second, the Rules should oblige the AER to have regard to, amongst other factors, the Plan and the advice of the NTP. This will only be one of the factors that the AER is required to take into consideration when making a revenue determination.

4.3 Interregional transmission charging

The establishment of a National Transmission Planner function and new RIT have the potential to increase the number of investments that are undertaken with market benefits in more than one region. If the benefits of investment span different regions, then the question arises as to how to allocate the costs of such investments.

The Rules currently provide for inter-regional charges to be established through inter-governmental negotiation. There is currently only one example of this having been done between South Australia and Victoria. It is unclear whether such an informal mechanism is sufficient under the new arrangements and the AEMC notes that in its final report to COAG, ERIG identified the creation of a rigorous inter-jurisdictional payment mechanism as a necessary aspect of more nationally integrated network development.

The Commission agrees that this is an important issue and has commissioned work by the Brattle Consulting Group and Frontier Economics to develop options capable of practical implementation in the NEM. The Commission intends to make some preliminary recommendations on reforms to Inter-regional TUOS in the Draft report, and to publish the associated consultancy reports.

Appendix A:
National Transmission Planner - Draft Specification

1. Establishment of the National Transmission Planner

a. The AEMO shall undertake the functions of the National Transmission Planner (NTP).

b. To assist it in fulfilling the NTP functions, AEMO shall establish a National Transmission Planner Advisory Committee (NTP Advisory Committee).

2. Objective of the National Transmission Planner

a. The objective of the NTP is to promote the development of a strategic and nationally co-ordinated transmission network, having regard to the National Electricity Objective.

3. Functions of the National Transmission Planner

a. The NTP shall:

i) publish a final National Transmission National Development Plan (NTNDP) each year, commencing [31 December 2009];

ii) publish a database of supporting modelling assumptions, methodologies and analyses used in the preparation of the NTNDP;

iii) upon request by the AEMC, provide advice to the AEMC in relation to the last resort planning power;

iv) upon request by the AEMC, provide advice to the AEMC on matters relating matters to the development of a strategic and nationally co-ordinated transmission network; and

v) Prepare and publish Congestion Mis-Pricing information [process around this function to be determined].

b. Upon request by the MCE, the NTP must conduct reviews into matters relating to the development of a strategic and nationally co-ordinated transmission network.

c. The NTP may:

i) make public submissions to TNSP consultations under the Regulatory Investment Test; and

ii) make public submissions to the AER in relation to revenue determinations for TNSPs ,

where such submissions relate to potential augmentations that improve the transmission capability of the National Transmission Flow Paths, having regard to any recommendations made by NTP Advisory Committee.

d. In undertaking its functions, the NTP must have regard to:

i) best practice in transmission planning;

ii) developments in technology that affect transmission development;

iii) competitiveness and feasibility of fuel sources for generation;

iv) Government policies that affect the energy sector including policies relating to climate change; and

v) demand side, embedded generation and fuel substitution alternatives to transmission investment.

e. Where practicable, the NTP shall make publicly available all information generated in the course of undertaking its functions (subject to confidentiality provisions).

4. Annual Budget and Work-Plan

a. For each financial year starting from [1 July 2009], the NTP must provide to market participants details of its work-plan and budget for the undertaking of its functions.

b. The NTP budget shall be incorporated into the AEMO budget and recover through electricity market participant fees.

5. Establishment of Working Groups

a. The NTP may establish working groups to provide advice on specified aspects of the NTP functions.

6. Obligation on Jurisdiction Representatives

a. Upon request by the NTP, jurisdiction representatives must provide reasonable assistance to the NTP in undertaking its functions.

7. **National Transmission Network Development Plan**

a. The NTNDP must contain a review of the long term efficient development of the national network for, at a minimum , the next 20 years.

b. The scope of the NTNDP should include those transmission elements which, in the NTP's opinion, are part of or materially affect the transmission capability of the National Transmission Flow Paths.

c. The NTNDP shall:

i) identify a range of credible scenarios for the geographic pattern of electricity supply and demand for, at a minimum, the next 20 years;

ii) identify the National Transmission Flow Paths under each credible scenario for the period of the plan;

iii) specify a National Transmission Flow Paths development strategy for each of the credible scenarios which, in the NTP's reasonable opinion, is consistent with:

(1) the co-optimisation of network and non-network investment;

(2) maximising market benefits; and

(3) compliance with relevant reliability standards.

d. Each National Transmission Flow Paths development strategy shall reflect a quantitative analysis of:

i) key transmission capability issues, including forecast constraints, which require action to enlarge or to increase the capability of the National Transmission Flow Paths to transmit or distribute active energy;

ii) options ,including network and non-network options, which, in the NTP's reasonable opinion, have the technical capability of addressing the identified key capability issues across identified NTFPs;

iii) market benefits associated with options identified in ii) above; and

iv) a high level assessment as to which set of options represents the efficient strategic development plan for the transmission network for each credible scenario, and how it relates to the broad development of the power system.

e. The NTNDP shall include relevant historical time series information on the following matters:

i) patterns of congestion and mis-pricing:

(1) in system normal network conditions; and

(2) in network conditions other than system normal; and

ii) realised transmission capability across existing national transmission flow paths as referenced in the NTNDP.

f. The NTNDP shall include a consolidated summary of the investment plans of TNSPs as set out in the most recent Annual Planning Reports and provide a detailed commentary on the consolidated summary. The commentary must inform on how the consolidated summary relate to the current and previous transmission network development strategies.

8. Preparation of the NTNDP

a. The NTP Advisory Committee must prepare and submit to the NTP a draft NTNDP.

b. The NTP Advisory Committee must consult on the credible scenarios and assumptions to be used in preparing the draft NTNDP.

c. The NTP must publish for consultation the draft NTNDP by 30 September each year, starting from 30 September 2009.

d. The NTP Advisory Committee must, in the course of preparing the draft NTNDP, consult each year with registered participants and interested parties in relation to:

   i) the data and assumptions to be used for the preparation of the NTNDP; and

   ii) the range of credible scenarios for supply and demand for inclusion in the NTNDP.

e. In preparing the draft NTNDP, the NTP Advisory Committee must consider the following:

   i) the quantity of electricity which flowed, the periods in which the electricity flowed, and constraints, on the national transmission flow paths over the previous financial year or such other period;

   ii) the forecast quantity of electricity which is expected to flow, and the periods in which the electricity is expected to flow, the magnitude and significance of future network losses and constraints on the current and potential national transmission flow paths over the current financial year or such other period;

   iii) the projected capabilities of the existing transmission network and the network control ancillary services required to support existing and future transmission network capabilities;

   iv) relevant intra-jurisdictional developments and any incremental works which may be needed to co-ordinate national transmission flow path planning with intra-jurisdictional planning; and

   (v) such other matters as the NTP, in consultation with the particular jurisdictions consider are appropriate.

f. In preparing the draft NTNDP, the NTP Advisory Committee must have regard to:

   i) the Annual Planning Reports published in the year in which the NTNDP is being prepared;

   ii) the Statement of Opportunities published in the year in which the NTNDP is being prepared;

   iii) the Gas Statement of Opportunities published in the year in which the NTNDP is being prepared; and

   iv) the most recent allowed revenue determination for each TNSP.

g. The NTP must ensure that interested parties have a minimum of 20 business days from the date on which the draft NTNDP is published to make submissions to the NTP Advisory Committee on the draft NTNDP.

h. The NTP must ensure that submissions received on the draft NTNDP are published.

i. The NTP Advisory Committee must prepare and submit to the NTP a final NTNDP.

j. In preparing the final NTNDP the NTP Advisory Committee must have regard to the submissions received on the draft NTNDP as well as the matters covered in **d** above.

k. The NTP must publish a final NTNDP by 31 December each year, starting from 31 December 2009.

l. Each jurisdiction representative shall provide such assistance as the either the NTP or NTP Advisory Committee reasonably requests in connection with the preparation of both the draft and final NTNDP.

9. Information

a. Once a year, the NTP may issue an information request to TNSPs (NTNDP Information Request) seeking information that the NTP reasonably requires for the preparation of the NTNDP.

b. The requested information in a NTNDP Information Request must be in addition to the information that the TNSPs must provide to the AEMO under the Rules.

c. The NTP must prepare and publish NTNDP Information Request guidelines.

d. From time to time the NTP may amend or replace the NTNDP Information Request guidelines following consultation with TNSPs.

e. As soon as practicable after it receives a NTNDP Information Request, a TNSP must provide the requested information in the manner and form set out in the NTNDP Information Request guidelines.

f. As soon as practicable after a TNSP becomes aware of any revisions to information provided under the NTNDP Information Request, the TNSP must inform NTP of the revisions and provide the revised information and reasons for the revisions.

g. From time to time, the NTP may request further information (in addition to that provided under a NTNDP Information Request) from the TNSPs which it reasonably requires for undertaking its functions. Upon receipt of such a request, the TNSP must provide to the NTP such information.

h. The NTP must have proper regard to the cost and burden placed on TNSPs in producing any information required by the NTP under a NTNDP Information Request or under **g** above.

10. NTNDP Database

a. The NTP shall develop and maintain a publicly accessible database of key assumptions and methodological approaches used in preparing the NTNDP.

b. The database shall include:

i) fuel cost assumptions to be used ($/GJ for gas; $/tonne for coal, conversion efficiency);

ii) capital cost assumptions to be used for generation;

iii) carbon cost assumptions;

iv) demand forecasts;

v) methodologies and guidelines adopted by the NTP in the conduct of its functions; and

vi) any other relevant data and information.

c. The database shall be updated from time to time to ensure continuing accuracy.

11. Membership of NTP Advisory Committee

a. The NTP Advisory Committee is to consist of:

i) a person appointed by AEMO as a member who is also appointed to act as the Chairperson; and

ii) [two to four] members appointed by AEMO.

b. AEMO shall make such appointments by no later than [31 Dec 2008].

12. Additional Functions of the NTP Advisory Committee

a. In addition to the functions set out in **8** above, the NTP Advisory Committee:

i) upon request by the NTP, shall provide advice to the NTP on any matter to the exercise of its functions set out in 3 above;

ii) upon request by the AEMO, shall provide advice to the AEMO on the preparation of the (electricity) Statement of Opportunities.

iii) may make recommendations to the NTP, regarding:

(1) public submissions to TNSP consultations under the Regulatory Investment Test; and

(2) public submissions to the AER in relation to revenue determinations for TNSPs,

where such submissions relate to potential augmentations that improve the transmission capability of the National Transmission Flow Paths.

b. Upon receipt of a direction by the NTP, the NTP Advisory Committee must conduct a review, or provide advice (as the case may be), into any matters relating to the development of a strategic and nationally co-ordinated transmission network.

13. Terms and Conditions of Appointment for NTP Advisory Committee

a. The Chairperson and other members of the NTP Advisory Committee will be appointed for a period up to 3 years on terms and conditions as to remuneration and other matters specified in the instrument of appointment.

b. Existing members of the NTP Advisory Committee are eligible for re-appointment.

c. The appointment of the Chairperson shall be on a full time basis.

d. On the office of a member of NTP Advisory Committee becoming vacant, a person must be appointed by AEMO to the vacant office.

e. A member of NTP Advisory Committee who is appointed as the Chairperson must remain independent of:

   i) the regulatory authorities exercising functions or powers under the National Electricity Law, and

   ii) businesses engaged in the industries regulated under the National Electricity Law.

f. No more than one of the other [two to four] non-chair members can be a member of the AEMO Board.

g. The members of NTP Advisory Committee must have sufficient knowledge, experience and abilities relating to power system planning. The membership of the NTP Advisory Committee should represent a diverse mix of appropriate skills and expertise.

h. The AEMO may remove any person from the office of a member of NTP Advisory Committee at any time during his or her term in the following circumstances:

   i) the person become insolvent or under administration;

   ii) the person becomes of unsound mind or his or her estate is liable to be dealt with in any way under a law relating to mental health;

   iii) the person resigns or dies; or

   iv) the person fails to discharge the obligation of that office imposed by the Rules.

14. Meetings of NTP Advisory Committee

a. The Chairperson must preside at a meeting of the NTP Advisory Committee.

b. A quorum of the NTP Advisory Committee consists of the Chairperson and another [1 or 2] members.

c. A decision concurred in by [two or three] members at a meeting of the NTP Advisory Committee is a decision of the NTP Advisory Committee.

d. Each member present at a meeting of the NTP Advisory Committee has 1 vote on a question arising for decision.

OTHER REQUIRED RULE CHANGES FOR NTP IMPLEMENTATION

15. Planning and Development of Network

Proposed that provisions are added to clause 5.6.2 that

a. requires NSPs to have regard to the most recent National Plan when conducting their annual planning review; and

b. require NSPs to comment in their Annual Planning Reports on the how their planning scenarios relate to the development strategies contained in the most recent National Plan.

Furthermore, each TNSP in conducting their annual planning reviews shall review the assessment of the potential for projects to deliver net economic benefits to the market.

16. The Transfer of IRPC Functions to AEMO

With regard to the functions previously performed by the IRPC, AEMO must undertake the following functions.

Technical assessment of network augmentations

a. The AEMO shall develop and publish, and may vary from time to time, an objective set of criteria for assessing whether or not a proposed transmission network augmentation is reasonably likely to have a material inter-network impact, in accordance with the Rules consultation procedures. In developing the objective set of criteria referred to in this clause, the AEMO must have regard to the views of jurisdiction representatives

b. The AEMO shall, upon receipt of a written request, prepare an augmentation technical report to determine:

   i) the performance requirements for the equipment to be connected;

   ii) the extent and cost of augmentations and changes to all affected transmission networks; and

   iii) the possible material effect of the new connection on the network power transfer capability including that of other transmission networks;

c. The AEMO may by written notice request an TNSP to provide the AEMO with any additional information or documents reasonably available to it that NTP reasonably requires for the purpose of preparing an augmentation technical report.

d. The AEMO must have regard to the views of jurisdiction representatives when preparing such technical augmentation reports

Inter-Network Test guidelines

e. The AEMO shall publish guidelines to assist *Registered Participants* to determine when an *inter-network test* may be required, in accordance with clause [5.7.7(k]);

Control and protection settings for equipment

f. The AEMO shall resolve disputes between NSP and registered participants in relation to parameter settings for control and protection equipment

Inter-Network Test Programs

g. Jurisdictions Representatives must made recommendations to AEMO in relation to draft test programs in accordance with clause 5.7.7(o) and (q)

17. Transfer of IRPC Functions in relation to providing assistance for the preparation of the SOO.

a. Clause 3.13.3 (s) to be changed to:

In preparing a Statement of Opportunities, the AEMO can reasonably request assistance and information from each Jurisdiction representative.

Jurisdiction representative is " a representative from any entity that has been nominated by the relevant Minister of a participating jurisdiction as having transmission system planning responsibility in that participating jurisdiction"

18. Changes to AER revenue determination process under Chapter 6A

a. TNSP must provide explanation on whether their revenue proposals are consistent with the most recent NTNDP and if not, provide detailed reasons for any variance

b. AER will be have regard to the NTNDP and any public information from the NTP, among other factors, in making revenue determinations

Appendix B:
Regulatory Investment Test – Draft Specification

1. Principles

a. The AER must develop and publish the Regulatory Investment Test (RIT) in accordance with this clause.

b. The purpose of the RIT is to identify the project (or group of projects) which maximises net economic benefits to all those who produce, consume and transport electricity in the market.

c. For the avoidance of doubt, where the options being considered under a RIT are necessitated principally by an inability to meet the service standards linked to the technical requirements of schedule 5.1, or in an applicable regulatory instrument, the net economic benefit of the most economic option could be negative.

d. The RIT shall be based upon on a cost benefit analysis of the future (which includes assessment of reasonable scenarios of future supply and demand) were each credible option to take place, compared to the situation of no options taking place.

e. The RIT shall comprise two sequential stages; a Project specification stage, and a Project assessment stage.

f. The RIT shall:

(i) not require the level of analysis to be dis-porportionate to the scale and likely impact of the options being considered, and

(ii) be capable of predictable, transparent and consistent application.

2. Scope of Projects

a. A NSP must undertake the RIT as part of the consideration of a network investment project (or set of related projects), except in circumstances where:

i. Network investment is required to address an urgent and unforeseen network problem that would otherwise put at risk the reliable supply of electricity; or

ii. The estimated capital cost for the most expensive of the range of possible credible options (of the set of options) for meeting the identified need is less than [$5m - $10m], or

iii. The possible credible options under consideration all maintain, rather than augment, transmission capability; or

iv. The investment relates to the construction of connection assets, or

v. The cost of the investment is to be recovered through negotiated use of system charges or access charges.

b. For each project, that is outside the scope of the RIT, the NSP must:

(i) reasonably ensure that such project is planned and developed on the basis of maximising net economic benefits to all those who produce, consume and transport electricity in the market; and

(ii) provide the following information to market participants in its Annual Planning Reports:

a. the date when the project will become operational;

b. the purpose of the project;

c. the total cost of the project; and

d. an explanation of the ranking of any reasonable alternative to the investment including any non-network alternatives

3. Application of the RIT – Quantification of Market Benefits and Costs

a. The RIT shall identify the following classes of market benefits that must be considered:

(i) changes in fuel consumption arising through different generation dispatch;
(ii) changes in voluntary load curtailment;
(iii) changes in involuntary load shedding using a reasonable forecast of the value of electricity to consumers;
(iv) changes in costs caused through:
i. differences in the timing of new plant;
ii. differences in capital costs;
iii. differences in the operational and maintenance costs; and
iv. differences in the timing of transmission investments;
(v) changes in transmission losses;
(vi) changes in ancillary services costs;
(vii) competition benefits; and
(viii) other benefits that are determined to be relevant to the case concerned (including possible option value).

[DN: Competition Benefits to be defined as being net changes in market benefit arising from the impact of the option on participant bidding behaviour]

b. The RIT shall include a quantification of:

(i) where, the estimated capital cost for the most expensive of the range of possible credible options is between [$5m -$10 million]and [$25m - $35 million], classes of all market benefits which are determined to be material, in accordance with clause 6]; and

(ii) where, the estimated capital cost for the most expensive of the range of possible credible options is more than [$25m - $35 million], all classes of market benefits [except competition benefits if that class of market benefit is determined to be immaterial, in accordance with clause 6].

c. If the identified need for the proposed investment is an inability to meet the service standards linked to the technical requirements of schedule 5.1 or in applicable regulatory instruments, the quantification assessment for classes (ii) and (iii) in clause a above, shall only relate to any additional benefits above that which would have been delivered by a project that was the minimum required to meet the relevant reliability obligation.

d. The RIT shall identify the following classes of costs that must be considered:

(i) costs incurred in constructing or providing the option;

(ii) operating and maintenance costs over the operating life of the option; and

(iii) the cost of complying with laws, regulations and applicable administrative requirements in relation to the option.

4. Application of the RIT – Selection of credible options

a. The RIT shall:

(i) ensure that an option is considered credible, if it can adequately address the identified need, is commercially feasible and can be implemented in the required timeframe. The absence of a proponent will be a factor for consideration in assessing possible credible options, but will not in itself exclude a project from being a credible option.

(ii) ensure that the identification of a credible option is informed by a consideration of all genuine and practicable options to addressing the identified need without bias regarding:

a) energy source;
b) technology;
c) ownership;
d) the extent to which the net network investment or the non-network alternative enables intra-regional or inter-regional trading of electricity;
e) whether the new network investment or non network alternative is intended to be regulated; or
f) any other factor.

5. Methodology of RIT

a. The RIT shall, as a minimum, list or provide for:

a. the method or methods permitted for estimating the magnitude of the different classes of benefits;
b. the method or methods permitted for estimating the magnitude of the different classes of costs;
c. the method or methods permitted for estimating market benefits which may occur outside the NSP's region; and
d. the appropriate method and value for specific inputs, where relevant, for determining the discount rate(s) to be applied.

6. RIT Process - Project specification stage

a. The project specification stage shall be initiated by the publication by the NSP of a project specification consultation report by the NSP, containing the following information:

   i. the reasons (identified need) for proposing the investment (including, where applicable, the actual or potential constraint or inability to meet the network performance requirements set out in schedule 5.1 or relevant legislation or regulations of a participating jurisdiction, including load forecasts and all assumptions used);

   ii. Reference, if applicable, any discussion on the description of the identified need or proposed project contained in the most recent National Transmission Network Development Plan;

   iii. All possible credible options in addressing the identified need. These options can include, but are not limited to, alternative transmission options, interconnectors, generation options, demand side options, market network service options and options involving other transmission and distribution networks and could include groups of projects or options.

   iv. For each possible credible option, details on:

      1. Technical definition or characteristics of the option;

      2. Whether the option is reasonably likely to have a material inter-network impact;

      3. Estimated construction timetable and commissioning date; and

      4. Estimated cost(s)

b. Where the maximum capital cost across the range of possible credible options for meeting the identified need is less than [$25 m - $35 m], the project specification consultation report will also contain an assessment of the likely material relevance of each of the classes of market benefit to the task of identifying the appropriate option across the range of identified credible options.

c. In all cases the project specification consultation report will also contain an assessment of the likely material relevance of the class of competition benefits.

d. All classes of market benefit shall be considered to have material relevance unless:

   i. A quantified explanation is presented as to why a particular class of benefit is not expected to affect the outcome of the assessment stage; and

   ii. The cost of undertaking the analysis to quantify the benefit is demonstrated to be disproportionate (to both the estimate cost of the option and possible benefit).

e. The project specification consultation report shall be published in a timely manner having regard to the ability of interested parties to identify the scope for, and develop, alternative credible options or variants to the identified credible options.

f. A NSP must publish any preliminary or supplementary information where such information is likely to enhance the ability of interested parties to engage constructively in the project specification consultation report consultation process.

g. Interested parties must be provided with not less than [26] weeks to make submissions on each project specification consultation report.

7. RIT Process - Project assessment draft report

a. The NSP, who proposes to establish a new investment (excluding projects specified in clause 2) must make publicly available a Project Assessment Draft Report which shall include the following information:

(i) A statement of each credible option being assessed;

(ii) A summary of, and commentary on, the submissions to the project specification consultation report;

(iii) A quantification of the profile of each class of cost and each materially relevant class of benefit for each credible option;

(iv) A detailed description of the methodologies used in quantifying each class of benefit or cost;

(v) The results of a net present value analysis of each credible option and an analysis of the ranking of the credible option;

(vi) The value of any class of market benefit estimated to arise outside the NSP's region;

(vii) The identification of the option which maximises the net present value of benefits.

(viii) For the most economic option, details on:

(1) Technical definition or characteristics

(2) Estimated construction timetable and commissioning date; and

(3) Estimated cost(s)

(4) an augmentation technical report prepared by the AEMO but only if the option is reasonably likely to have a material inter-network impact; and the applicant has not received consent to proceed with such construction from all Transmission Network Service Providers whose transmission networks are materially affected by the proposed asset.

(ix) a detailed analysis of why the applicant considers that the proposed investment satisfies the RIT and, where the applicant considers that the asset satisfies the RIT as a reliability augmentation, analysis of why the applicant considers that the proposed investment is a reliability augmentation. For the avoidance of doubt, the proposed investment may be an investment in a transmission asset, an investment in another form of asset or expenditure on provision of a service.

b. Interested parties must be provided with not less than 30 days to make submissions on each project assessment draft report.

8. RIT Process - Project assessment conclusions report

a. The NSP must consider all submissions received within 30 business days from the publication of the Project Assessment Draft Report. The NSP must use its best endeavours to hold a meeting with interested parties who have requested such meeting, within a further 21 business days if:

(1) after having considered all submissions received the NSP considers that it is necessary or desirable to hold a meetings; or
(2) a meeting is requested by 2 or more interested parties.

b. The NSP shall publish a project assessment final report as soon as practicable as receipt of submissions. The project assessment final report must set out the matters detailed in the project assessment draft report and summarise the submissions received from interested parties and the NSP's response to each such submission.

9. Disputes Resolution

a. Registered Participants, the AEMC, Connection Applicants, Intending Participants, AEMO and interested parties may, by a referral to the AER, dispute the project assessment final report for new large transmission projects but only in relation to:

(i) the application of the RIT; or

(ii) the basis on which the NSP has classified the proposed investment as being a reliability augmentation; or

(iii) the basis on which the NTP has classified the proposed investment as having a material inter-network impact;

b. A dispute under this clause may not be in relation to any matters set out in the final report which are treated as externalities by the regulatory investment test, or relate to an individual's personal detriment or property rights.

c. A person disputing the final report must:

(1) lodge notice of the dispute in writing (the **dispute notice**) with the AER;
(2) give a copy of the dispute notice to the NSP within 30 business days after publication of the project assessment conclusion report;
(3) specify in the dispute notice the grounds for the dispute.

d. The AER may immediately reject any dispute if it considered that the grounds for dispute are invalid, misconceived or lacking in substance;

e. In making a determination, the AER:

(i) only take into account information and analysis that the TNSP could reasonably be expected to have considered or undertaken at the time that it performed the Regulatory Investment Test;

(ii) must publish, its determination as soon as practicable and no later than 40 business days after receiving the dispute;

(iii) may disregard any matter raised by a party in the dispute that is misconceived or lacking in substance; and

(iv) may request further information from a party bringing a dispute, or from the TNSP, if the AER is not able to make a determination based on the information provided to it.

f. The AER must, within [40] business days of receipt of a dispute notice, make and publish a determination, including reasons.

g. The AER may only a determination to direct the TNSP to amend the matters set out in the project assessment final report, if it determines that:

(1) that the TNSP has not correctly applied the RIT in accordance with the Rules; or

(2) that the TNSP has mis-classified the proposed investment as being either an reliability augmentation or a project which has a material inter-network impact or

(3) there was a manifest error in the calculations performed by the TNSP for the project assessment stage.

10. RIT Guidelines

a. The AER shall publish the Regulatory Investment Test Guidelines. At the same time as the AER publishes a proposed regulatory investment test under the transmission consultation procedure, the AER must also publish guidelines for the operation and application of the regulatory investment test ('the **Regulatory Investment Test application guidelines**') in accordance with the requirements of this clause.

b. The Regulatory Investment Test application guidelines must give effect to and be consistent with this clause and provide guidance on the operation and application of the regulatory investment test.

c. The Guidelines shall include at a minimum:

i. Guidance on the acceptable methodologies for valuing costs of an option,

ii. Guidance on suitable modelling periods and scenarios development;

iii. Guidance on the acceptable methodologies for valuing market benefits of an option, including direction on approaches to value inter-regional market benefits,

iv. Explanation and guidance on what constitutes a credible option;

v. Guidance on appropriate sensitivity analysis;

vi. Explanation on the appropriate discount rate(s) to apply to project assessment, reflecting that different options may have different risk profiles.

d. The Guidelines shall also include worked examples to support the guidance and explanation.

e. The AER must develop and publish the revised Regulatory Investment Test and Regulatory Investment Test application guidelines by [31 December 2008] and there must a Regulatory Investment Test and Regulatory Investment Test application guidelines in force at all times after that date.

f. The AER may, from time to time and in accordance with the transmission consultation procedure, amend or replace the Regulatory Investment Test and Regulatory Investment Test application guidelines developed and published under this clause, provided that such amendments must be published at the same time.

Appendix C

Summary of Submissions to the National Transmission Planner Issues Paper

This Appendix presents a summary of the 20 submissions received to the National Transmission Planner (NTP) Issues Paper. The submissions are summarised under the following sections:

- The Functions of the National Transmission Planner;
- The Regulatory Investment Test;
- The Revenue and Pricing Framework;
- The Governance Arrangements;
- The Implementation and Transitional Issues.

1. Functions of the National Transmission Planner

1.1 Boundary between National and Local Planning

A significant proportion of submissions stated that there was no need for the NTP to prescribe a boundary between local and national planning; rather, they stated that NTP should have the discretion to specify what falls within the scope of the National Transmission Network Development Plan(NTNDP)[1]. AER argued that if the Commission drew a boundary between national and local planning, then this would be inconsistent with the terms of the COAG decision[2]. Furthermore, the ERAA submitted that the Commission had mis-interpreted the terms of reference; it stated that the MCE had agreed with ERIG for a two stage planning process whereby the NTP undertook 'first stage' planning and TNSPs undertook 'second stage planning' [3].

AER and VENCorp supported a principles based approach to defining the scope of the NTP. AER suggested a principles-based approach to the NTP similar to that stipulated in South Australian legislation[4]. Alternatively the AER suggested a materiality threshold may be applied on projects that affect flows on transmission network and reliability of the network. Ultimately, AER argued that specifying a boundary would not account for the dynamic nature of transmission flowpaths and constraints. VENCorp argued that functions should be based upon agreed guiding principles, rather than prescriptive distinctions between physical assets or locations[5]. VENCorp also noted that there are no disadvantages from extending the NTP planning function into regional matters[6].

ESIPC, ESAA and ERAA also submitted that the role and function of the NTP should be broadly defined and that the NTP, at its discretion, be empowered to determine how best to achieve its goals[7]. They argued that it would be premature to attempt to limit the scope of the NTP modelling by setting arbitrary restrictions on the level of detail the NTP should consider. ESAA contended that it is not necessary to tightly define the national grid because this could inhibit proper consideration of local factors which have a significant impact[8]. ESAA's view was that the NTP should have discretion to decide which elements of the power system should be included in the NTNDP.

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[1] AER, VENCorp, ESAA, ERAA, Minister for Energy (Victoria)
[2] AER Submission p 5
[3] ERAA Submission p 4
[4] AER Submission p 5
[5] VENCorp Submission p 14
[6] VENCorp Submission p12
[7] For example, ESIPC Submission p 6
[8] ESAA Submission p 2

EUAA argued that the role of the NTP should be defined by process rather than content. EUAA posited that the scope and role of the NTP should be defined in terms of their economic impacts and uncertainty rather than about particular networks or flow paths[9]. The NGF added that the NTP should be defined as the main power system and it would be impractical to limit the NTP to only consider constraints which materially involve interconnector flows[10].

NEMMCO 's position was that the National Electricity Rules should allow sufficient flexibility for the scope and process for the Plan to develop over time[11]. In NEMMCO's view, the NTP should be allowed to consider augmentations than i) improve generator access to undeveloped energy sources and ii) create new interconnectors between regions. NEMMCO disagreed with any cost threshold since low cost projects can have high benefits. Instead, NEMMCO preferred the use of the definition of 'transmission network' as currently defined in the Rules rather than a voltage threshold[12].

Some submissions did try to specify a boundary between national and local planning. EnergyAustralia argued that the NTP should only cover those portions of the network where impacts on the market settlements have a material impact (or constitutes a material proportion of costs). Under this framework, the NTP would cover the following: interstate connections, the main backbone of regional transmission networks and connections to major generation centres. This framework excludes most transmission capital investment projects within a region as well as reliability based investment. ETNOF (along with Transgrid) argued that the 'national' aspect of the planning arrangements should include transmission corridors where the transmission capability is sensitive to future generation and hence affects competitive market investment decisions, and is significant in terms of both inter-state volumes and its effect on more than one TNSP. ETNOF argued that 'national' should be interpreted as matters that may affect delivery of the market objective across the NEM, rather than in just one region[13].

Furthermore, in ETNOF's view, there should be a mechanism to account for non-network solutions in a strategic time-frame. ETNOF submitted that the NTNDP should focus on major networks that are defined as: i) notionally significant national transmission corridors; ii) existing corridors that may require expansion; and iii) possible voltage levels and technology choices[14]. ETNOF argued that the criteria for determining nationally significant corridors are whether network developments are sensitive to the location and type of generation and whether high level flows and planning affects more than one TNSP[15].

On the use of National Transmission Flowpaths (NTFP) to define the boundary, all of the submissions that responded were opposed to this point[16]. EnergyAustralia did not support the use of NTFP because it was not a specific definition. ETNOF argued that there needed to be a new definition of national flow paths. ESIPC was also against any concept of main grid or flow paths being implemented. The NGF rejected the use of NTFP to define NTP's scope and functions.

Submissions noted the interdependence of local and national planning. Powercor stated that the NTP must have a clear understanding of local or regional plans and provide an opportunity for local planners to provide input to the NTNDP to ensure that the processes are efficiently integrated. The MEU, while supportive of a boundary between local and national planning also

[9] EUAA Submission p 4
[10] NGF p 20
[11] NEMMCO Submission p 2
[12] Ibid
[13] ETNOF p 4
[14] ETNOF Submission p 24
[15] Ibid
[16] ESIPC, Energy Australia, ETNOF, NGF, ESAA

considers that the NTP should also have oversight in intra-regional investments as both are interdependent[17].

1.2 Range of Scenarios to be considered by the NTP

The Commission asked whether the NTNDP should rely on a single scenario for generation over the future period or whether there will be versions of the Plan to reflect a range of plausible generation development scenarios. A clear majority of the submissions argued that a strategic national plan needed to have a wide range of credible future scenarios over a time frame greater than 10 years[18]. ETNOF, for example, considered that these credible future scenarios should be based on forecasts of the location of demand and generation (including demand side and embedded generation) with different economic outlooks, technology developments and government policies. EUAA added that an NTNDP should identify the uncertainty and timing of long-lived transmission assets. Most market participants thought that a high level of detail and analysis needed to be provided so that the conclusions expressed in the various scenarios would be well understood.

All submissions argued that the development of the scenarios should be subject to consultation[19]. While submission recognised that these scenarios needed to be taken greater than 10 year time frame, Energy Australia suggested that the NTP should produce different forecasts for different time horizons. Energy Australia suggested that there be, in effect, two plans: a 20-30 year overall strategic plan which is reviewed every 3-5 years and a more detailed 10 year plan which sits within the overall strategic plan and provides a framework for TNSPs augmentation proposals.

NGF suggested a more probabilistic approach to transmission planning[20]. It too is supportive of scenarios extending over a time period well beyond 10 years. It suggests that long term risk should be identified in relation to energy technologies, energy use and energy market evolution. ERAA thought that the scenario planning should best be left to the NTP.

1.3 Level of Detail in the National Plan

There was consensus that a greater level of detail in the NTNDP over current arrangements was necessary. AER recommended that it should be detailed and specific enough to assess the merits of particular projects. Further, in order to perform its functions effectively, the NTP should be equipped with systems modelling, including development of overall electricity load forecasts and costing of various options[21].

Submissions were clearly of the view that the NTNDP would be a source of valuable information provision. Indeed, VENCorp stated that NTNDP must do more than the current ANTS. In VENCorp's view, network planning is more than a project by project assessment; it is the long term architecture of how the network meets the needs of users[22]. APA contended that the NTNDP should present multiple options rather than a single preferred option and that the NTNDP should focus on providing information to facilitate efficient market outcomes rather than a detailed focus on inter-network co-ordination and linkages.

[17] MEU Submission p 7
[18] ESIPC, ETNOF
[19] ETNOF, NEMMCO
[20] NGF Submission p 21
[21] AER Submission p 7
[22] VENCorp Submission p 15

In developing the level of detail in the NTNDP, the submissions raised a range of considerations. APA's view was that the NTNDP must not reduce market and competitive pressures and was concerned that there is a danger that policy makers might reference the NTNDP rather than actual market development[23]. NEMMCO's view was that the process for selecting preferred projects in the Plan must be the same as the RIT. NEMMCO stated that it was important to distinguish between the reported results in the NTNDP and the extent of the network which must be modelled to achieve reasonable results. In ERAA's view, the NTNDP should be developed through a bottom up and not a top down approach; that is, not based upon arbitrarily determined targets. ERAA stated that the NTNDP should have sufficient detail so that TNSPs can adopt the outcomes from the plan as input assumptions to their Regulatory Investment Test (RIT) analyses; that is the TNSPs should not have to create their own assumptions.

NGF stated that the NTNDP should be reasonably precise. It suggested high level information for long term planning but as lead time approaches then the level of detail in the NTNDP would increase and become more definite[24]. The NGF stated that the NTP needed to provide sufficiently detailed information to enable market participants to analyse and question TNSP investment decisions and operational performance. The MEU stated that the NTP should be able to address impacts of all changes made, assess needs of interconnected network and recommend (and possibly implement) proposed changes to meet needs[25]. However, EnergyAustralia's view was that the long term planning by the NTP should not be used as a substitute for or a critique of more detailed transmission planning by individual TNSPs. In Energy Australia's view, to avoid duplication the NTP role should be limited to long term scenario planning.

Some submissions emphasised the strategic aspect to the level of details in the NTNDP. ETNOF suggested an NTNDP would provide a description of potentially worthwhile transmission developments between 5 to 20 years, focusing only on developments that have a national significance. The NTNDP should contain a map showing the demand for major transmission service capability across the NEM and across time. ESIPC stated that the NTP should be in a position to identify, at a strategic level, required investment to ensure efficient development of the national transmission grid. In ESIPC's view, the NTNDP should develop a clear strategic development path for national transmission corridors, from which to assess the TNSP regional plans. ESPIC also stated that the NTNDP should provide the market with statistical, historical information on constraints and outages and related variables.

1.4 Should the NTP be able to develop its own Augmentation projects?

The majority of the submissions voiced their support for the NTP to develop its own augmentation projects but they differed as to under what circumstances the NTP should be able to perform this operation. ETNOF suggested that this occurs only for nationally significant (high level) development options that are likely to be economic. The AER suggested that the NTP is best placed to determine which projects have a material effect on transmission network and should be given discretion to apply a materiality threshold.

ERAA supported the proposal because it alleviated concerns that not all efficient augmentation projects were being identified by TNSPs. Also it is likely that the NTP will develop projects over a longer planning horizon than TNSPs and the NTNDP should be more than simply checking projects suggested by TNSPs. The MEU were supportive of this role for the NTP and stated that the NTNDP should only focus on augmentation. The NGF's view was that the NTP should have independent modelling expertise to perform this function.

[23] APA Submission p 1
[24] NGF Submission p 21
[25] MEU Submission p 10

NEMMCO likewise supported this proposal. Its view was that it was not always possible for NEMMCO to source conceptual augmentations from TNSPs to address congested areas which were identified in the ANTS.

The ENA, in contrast, argued that the role of the NTP should not go beyond gathering and publishing information.

1.5 Scope of the National Transmission Network Development Plan

A clear majority of the submissions supported a broader role for the NTNDP to include matters other than electricity transmission. ESAA supported a wider scope for the NTNDP to include generation, gas transmission and electricity distribution[26]. NEMMCO also thought that the NTNDP could model generation development because it is linked to transmission development.

Submissions diverged as to whether gas should be included in the NTNDP. APIA argued that gas transmission industry should not be in the scope of the NTNDP. APIA stated that the issues that give rise to the need for central planning in electricity does not exist in gas transmission and that the NTNDP may distort market driven investment in gas. In contrast, EnergyAustralia's view is that the NTNDP should have regard to gas transmission and distribution where it impacts on market benefits based projects. Similarly, VENCorp thought that it was appropriate for the plan to include industry gas development[27].

AER also argued that the content of the NTNDP must be broader than electricity transmission so it can assess alternatives to transmission such as generation, distribution and demand side options[28]. The AER thought that the NTP should consider embedded generation, demand side management and NCAS options in a manner similar to the direction given to ESIPC in South Australian legislation[29]. The AER argued that the NTP should be given the discretion (by applying a materiality threshold on a case by case basis) as to what assets are covered by the NTP[30].

The NGF argued that the NTP should include full coverage of the main power system and hence be the same as that covered by AEMO's operational control area. This should include gas transmission and electricity distribution when it is a realistic alternative to electricity transmission[31]. The MEU thought that the NTP should itself determine the extent that it is involved in generation, gas transmission and electricity distribution[32]. While the MEU thought that distribution businesses should remain outside scope of the NTNDP, the NTNDP itself should not be limited to main grid augmentations. Therefore, the NTNDP needs to address all aspects of the interconnected network up to the point of connection with distribution businesses[33].

ETNOF considered that the NTP should address issues relating to fuel generation, gas industry development, but not distribution because this would be out of scope. However, ETNOF also acknowledged that application of the NTNDP would be wider than just the electricity transmission system alone.

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[26] ESAA Submission p 2
[27] VENCorp Submission p 15
[28] AER Submission p 7
[29] AER Submission p 13
[30] Ibid
[31] NGF Submission p 22-3
[32] MEU Submission p 11
[33] Ibid

Other submissions proposed a more restricted scope for the NTNDP. EnergyAustralia thought that the NTNDP should not apply to regional transmission and distribution networks because this is primarily driven by security and reliability of supply to customer loads. But EnergyAustralia acknowledged that electricity transmission planning may need to have regard to generation development and gas transmission networks. EUAA contended that there is no need for the scope to be extended beyond the planning of transmission assets provided the economic assumptions are stated and that planning outcomes are sensitive to assumptions about generation, demand side and gas supply[34].

The ESAA cautioned against focusing solely on material interconnector flows or capability of the NTFPs because this would constrain the NTP functions to the current arrangements and would be inconsistent with MCE's direction.

1.6 What type of expertise must the NTP have?

Submissions suggested various types of expertise that the NTP should have with respect to national transmission planning. It was suggested that the NTP have expertise in modelling generation development insofar as it is linked to transmission development[35] along with systems modelling, project assessment and systems design processes[36]. The view was that the NTP should be able to assess alternatives to transmission network planning such as generation, distribution and demand side options and provide sufficiently detailed planning in order to understand the drivers behind network investment[37]. It was also suggested that an advisory body of joint planning bodies to assist the NTP be created.

The submissions supported the view that the NTP needed sufficient expertise to provide it with credibility and independence[38]. Further this expertise would facilitate effective long term planning to complement short term TNSP planning[39]. NGF stated that the NTP should also provide strong technical leadership and co-ordination across the NEM in transmission practices and network operational planning[40]. In a similar vein, the MEU contended that the NTP should have the expertise to publish independent information on a transparent basis that will ensure that TNSPs are accountable and do not shirk from their (TNSP) formal planning responsibilities. NEMMCO cautioned that modelling must go beyond level of the current NTFP. VENCorp stated that the NTP needs to have necessary information and resources to undertake its own planning studies[41]. VENCorp emphasised that the NTP requires adequate information from TNSPs including asset costs and data but it cannot rely on TNSPs for critical modelling or assumptions.

In contrast, ETNOF's view is that the NTP should not be involved in substantial detailed analysis of detailed options and potential solutions.

[34] EUAA Submission p 8
[35] NEMMCO
[36] EUAA Submission p 5
[37] AER Submission
[38] ERAA Submission
[39] EnergyAustralia Submission
[40] NGF Submission p 19
[41] VENCorp Submission p 8

1.7 Other Scope Issues

1.7.1 Forecast Period

There was wide support among submissions for a forecast period over 10 years[42]. ETNOF suggested that the forecast period should be 5-15 or even 20 yrs so it is long enough to encompass a range of plausible alternative 'future worlds' having regard to alternative generation technologies, fuel sources and climate change policies. The starting time should build on where the TNSP Annual Planning Reports end and extend far enough into the typical lifecycle of network investments[43].

In Energy Australia's view there should be a strategic long term range plan (over 20 years) and a conventional 10 year horizon for specific projects where more detailed design emerges. EUAA's position is that forecast horizon should be longer than 10 years because it is necessary for decisions on terminal station locations, higher voltage level and easement acquisition. EUAA also noted that remote generation from geothermal and solar energy will require longer time horizons for easement and voltage level decisions[44]. In NGF's view, the forecast period should be at least 20 years and preferably longer so as to be consistent with economic life of generation and transmission infrastructure[45]. VENCorp stated that the planning horizon covered by the National Plan would be in the medium and long term, possible 5 to 20 years out.

1.7.2 Relationship with other planning documents

The NGF and MEU thought that the SOO and NTNDP could be integrated into a single document[46]. Under Energy Australia's proposal, there would be two versions of the NTNDP: a long range strategic plan (20 yrs) and a shorter term 10 year plan. The SOO and APRs would follow 10 year NTNDP while the 20 yr NTNDP would be published expeditiously.

EUAA's view was that if the NTNDP has a longer term, broader range of scenarios focus, then it need not replace the more short-term focus of the SOO and APRs. The NTNDP would provide the long-term backdrop to the SOO and APRs.

In contrast to the above, NEMMCO thought that it may be desirable to separate publication of SOO and ANTS in a way that maximises value. Currently, the publication of SOO is delayed because it is linked to ANTS and the ANTS itself involves further analysis.

1.8 Relationship between NTP and TNSP Planning

Submissions argued that the NTNDP would facilitate a national wide view for TNSPs conducting their network planning. ETNOF states that the NTP's primary role is the collation, analysis and dissemination of high level information which provides a national perspective regarding the long-term development of the national power system under a range of plausible scenarios[47]. Consistent with the consultation and investment decision-making processes set out in the National Electricity Rules, TNSPs could include the views expressed in the NTNDP when explaining their investment decisions. EUAA contends that the primary role of the NTP would be to coordinate and critique planning analysis by the NTP rather than duplicate effort[48]. However, EnergyAustralia noted that

[42] ESIPC, MEU, NGF, VENCorp, EUAA
[43] ETNOF Submission p 25
[44] EUAA Submission p 8
[45] NGF Submission p 25
[46] NGF Submission p 25; MEU Submission p 17
[47] ETNOF Submission p 26
[48] EUAA Submission p 5

it was desirable to have joint planning between a TNSP and the NTP to coordinate activities of national significance.

ESAA supported a model of a NTP that has an advisory and information provision role to assist investments but ultimately did not have a directive role[49]. Similarly, NEMMCO considered that a co-operative relationship between the NTP and TNSPs is important. NEMMCO suggested that incentives could be built to ensure TNSPs cooperated with the NTP; for example, including a project already in the NTNDP could fast track the approvals process[50].

Other submissions advocated a position where the work of the NTP would have more direct influence over the TNSPs. The NGF and EUAA supported the proposal for TNSPs to explain any deviations from the NTNDP[51]. The EUAA argued that this would help TNSP clarify changes in assumptions and valuation methodology and would bolster a TNSP's accountability. NGF's view is that the NTP should prepare and publish detailed national network planning criteria and methodologies that the JPBs and the TNSPs would be expected to adopt[52]. Furthermore, the MEU thinks that while the NTP performs an advisory and co-ordination function over TNSPs, with the latter retaining formal planning responsibilities, the NTP can nonetheless suggest to the AER to direct a TNSP via its limited powers.

1.9 Additional NTP Functions

A number of submissions commented on the transfer of IRPC functions to the NTP[53]. ETNOF and Energy Australia noted that should the IRPC functions be transferred to the NTP it would still require the support of JPBs and TNSPS[54]. In contrast, VENCorp stated that there was no need for an IRPC under the new arrangements[55].

However other tasks should not be transferred to the NTP because this relates to operational matters and not system planning. These tasks were: co-ordination of emergency response, communication under the Responsible Officer Role and maintenance of Load Shedding Schedules and Sensitive Loads. A number of submissions suggested that these functions should be the responsibility of AEMO and not the NTP[56]. NEMMCO's view is that the technical functions current performed by IRPC will need to continue. However the obligations should be on individual organisations rather than a committee.

Other submissions took a broader view of the range of activities that should fall under the umbrella of the NTP. MEU's remarked that any activity affecting the interconnected network should be a responsibility of the NTP, for example the provision of NCAS[57]. NGF contends that the NTP should have responsibility for a broader range of ancillary functions[58].

[49] ESAA Submission p 2
[50] NEMMCO Submission p 3
[51] NGF Submission p 26-7; EUAA Submission p 10
[52] NGF Submission p 26
[53] EUAA, ETNOF, EA
[54] ETNOF p 27
[55] VENCorp Submission p 16
[56] ETNOF, NEMMCO, EA, NGF
[57] MEU Submission p 13
[58] NGF Submission p 27

2. Project Assessment and Consultation Process

This section addresses comments submitted on the Regulatory Investment Test (RIT).

2.1 Amalgamating Reliability and Market Benefits.

There were 3 Options for the RIT proposed in the Scoping Paper. In the Issues Paper, the Commission rejected Option 2. Consequently, Options 1 and 3 were debated by submissions. Option 1 was a full cost-benefit analysis while Option 3 would maintain the existing least-cost approach to projects intended to meet mandatory obligations, but would allow for the incorporation of additional benefits where an option is likely to provide them.

The EUAA supported Option 1 in principle, but acknowledged that it may be cumbersome to apply. The EUAA suggested that a standard evaluation and screening procedures to focus attention on how to discriminate between competing options[59]. The NGF also strongly supports option 1 - the full cost benefit analysis approach- and argues that Option 1 would be consistent with a probabilistic planning approach whereas Option 3 would be inconsistent with the MCE terms of reference[60].

However, the majority of submissions supported Option 3. In its submission, AER recognised the limitations of Option 1 and supported Option 3. The AER substituted 'relevant' rather than 'material' costs and benefits. AER submitted that 'national' benefits could be captured by requiring TNSPs to consider a wider range of benefits across the NEM. In order for a proposed investment to pass the RIT, the AER advocated for a decision making rule that enables the investment option that maximises the net present value of market benefits in the majority of reasonable scenarios to successfully pass the RIT. However, if it is a reliability driven investment, then the least cost rule may apply[61]. The AER supports a mechanism using a cost benefit ratio rather than a simple NPV comparison. However, the AER considers that where different options generate the same cost-benefit ratio, it should be the option that provides the best cost-benefit ratio in the most reasonable scenarios[62].

ETNOF also supported option 3 and argued against the application of option 1. ETNOF argued that a full cost benefit analysis is inconsistent with mandatory reliability standards and is also inconsistent with the need for joint planning with DNSPs and TNSP. ETNOF also thought that Option 1 would increase the complexity of analysis because of the difficulties of valuing reliability and this would lead to longer planning periods. Under Option 1 the level of reliability is an output of the analysis and is not an exogenous standard. ETNOF is supportive of the idea of 'rules of thumb' to facilitate more timely analysis of options[63]. In amalgamating the two limbs, ETNOF considers that the Commission should aim to develop a single, consistent methodology that can be applied to all augmentations, including those primarily driven by the need to meet established reliability standards[64]. Transgrid also supported option 3 and argued that Option 1 is inconsistent with a mandatory reliability standards framework and would add complexity and duration to the investment process. Under option 3 differences in reliability above the deterministic standard do not need to be valued but could be if desired.

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[59] EUAA Submission p 12
[60] NGF Submission p 30
[61] AER Submission p 14
[62] Ibid
[63] ETNOF Submission p 29
[64] ETNOF Submission p 38

Some submissions raised concerns about how the RIT would affect distribution businesses. Energy Australia's view is that modification of the current Test needs to acknowledge that the RIT will be used by TNSPs and DNSPs for reliability driven projects. This is important for distribution projects which are driven by reliability and take place within short lead times. EnergyAustralia stated that market benefits are not material for distribution networks and therefore a simplified least cost test is needed for DNSPs. ENA stated that the proposed reforms to the RIT were not appropriate for distribution businesses[65].

ERAA noted that a potential problem with option 3 is that projects that do not meet deterministic standards will be excluded from the analysis and commented that it would await the outcome of the reliability standards review. The MEU supported the amalgamation of the limbs into a single test. In its view, the current RIT is too regionally focused so modifying the test to incorporate national benefits is desirable.

2.2 Scope of Projects Subject to RIT

A clear number of the submissions supported the notion that the RIT should apply to all projects, including network reconfigurations and replacement expenditure. The AER argued that all projects greater than $10m should be assessed. AER's view is that network reconfigurations should be assessed to the extent it affects transmission network capacity. ESIPC supported reforms that include network reconfigurations and replacement expenditure in the scope of the RIT. EUAA's view is that there may be a need to consider refurbishments or replacements as part of the RIT. NGF stated that reconfigurations and replacement projects should be subject to the RIT[66]. Similarly, Stanwell Corporation also commented that the RIT should also address projects for network reconfiguration in light of ageing TNSP assets.

ETNOF argued that network replacements on a like-for-like basis tend not to have alternatives and hence there is no value in applying a RIT process. ETNOF is generally opposed to including network reconfiguration and replacement as part of scope of RIT because such projects typically do not yield national market benefits. Furthermore such projects would require additional resources for the NTP and would cause delays in project assessment, which would consequentially be inconsistent with COAG directive[67]. However, ETNOF conceded that those network reconfigurations that change transmission capability should be treated as augmentations for the purpose of the RIT. ETNOF considered that it is appropriate for TNSPs to disclose information on replacement projects above $5m threshold.

Both EnergyAustralia and ENA supported the ETNOF Rule Change to lift the Regulatory Test thresholds. EnergyAustralia's view was that replacement works should be subject to least cost analysis but the consultation elements of the Regulatory test are unnecessary and should not apply. ERAA does not believe that it was the MCE's intent for the Regulatory Test to be re-written and states that the existing rules are sufficient.

2.3 Identification and Quantification of Costs and Benefits

Submissions varied as to whether or not they supported the mandating of costs and benefits to be included in the RIT. Some submissions also supported a preliminary analysis to gather any material costs and benefits. ETNOF was of this view and it supported an initial screening or high level analysis to ascertain material costs and benefits. ETNOF, however, stated that risk management impacts as they relate to reliability should be excluded. ETNOF's view was that the

[65] ENA Submission p 1
[66] NGF Submission p 31
[67] ETNOF Submission p 30-1

existing RIT already identifies benefits that have a national focus and therefore there is no need to expand the guidelines to include a separate classification of national benefits. ETNOF suggested that to ensure the consistent treatment of market costs and benefits by TNSPs, it would be useful to develop a standard list of data which could be used in the assessment of alternative options under the amalgamated RIT. ETNOF's view was that competition benefits under market benefits limb should be optional[68].

ETNOF warned against unnecessary use of resources. ETNOF was opposed to Option 1 because it would require more intensive modeling and longer time delays, particularly when applied to reliability driven investments relating to joint planning between TNSPs and DNSPs. In relation to proportionality of analysis, ETNOF's view is that it would be difficult to apply if option 1 taken[69]. ETNOF, through its Rule Change proposal, has suggested two thresholds: $5m for small network projects and $35m for new large augmentations[70].

Energy Australia argued against any mandating of costs and benefits and supports an initial assessment to gauge for any material impacts. Energy Australia argued that the RIT should list the generic types of impact that should be considered and imposes an obligation on the NTP to consider those that are expected to have a material impact on the assessment. Energy Australia noted the difficulties in attempting to value reliability benefits and argued that a scenario approach should be followed. In Energy Australia's view, an investment option should satisfy the test, even if it is not the least cost option, where it meets reliability requirement and the incremental benefits justify the incremental cost above the least cost option. Energy Australia suggested that to avoid inefficient use of resources there should be a streamlined process for DNSPs to engage in RITs for reliability driven investments. Furthermore, Energy Australia argued that the current definition of 'national benefits' is insufficient as it does not cover gas transmission and the value of externalities.

In contrast to Energy Australia, the NGF advocated for mandating the range of costs and benefits to be considered. Its view is that the application of a more comprehensive regulatory test should not adversely impact on planning timescales[71]. In relation to proportionality of analysis, the NGF's view is that this factor should be considered after the definition and methodology for the RIT application is settled. In terms of defining "national" market benefits, the NGF suggested that a definition should be stated in the RIT, which is then applied by the AER. Indeed, the AER supported inclusion of all national market benefits and costs, including the addition of risk management costs/benefits to avoid cherry-picking[72] .

ERAA's view was that the existing rules sufficiently capture national benefits and rules on proportionality. It does not believe that it was the MCE's intent for the Regulatory Test to be re-written.

2.4 Interaction between NTP Function and the Regulatory Investment Test

Submissions varied as to whether the NTP would take a more active role in the RIT process or a more passive approach whilst acknowledging that TNSPs were ultimately accountable for their own investment decisions. The AER considered that the NTP should i) lead a process of co-ordinating and disseminating information on good practice in undertaking the RIT and ii) recommend or specify certain elements of a methodology to be applied in undertaking the RIT.

[68] ETNOF Submission p 31
[69] ETNOF Submission p 35
[70] ETNOF Submission p 34
[71] NGF Submission p 32
[72] AER Submission p 10

The AER argued that the NTP would also be expected to apply the RIT in circumstances where it is determining the best options for projects in the NTNDP[73]. In the AER's view the compliance and monitoring role of the NTP overseeing the application of the RIT is distinct from the AER's compliance and monitoring role and, as such, there would be no conflict between the NTP and AER[74].

ETNOF proposed that the NTP's role is to inform the RIT process while leaving clear accountability with TNSPs[75]. In its view, TNSPs would not be bound to implement NTNDP options. NTP should not carry out RITs but instead could provide data of estimates of non-transmission costs and national market benefits[76]. It stated that the monitoring and enforcing compliance with the Rules should remain the sole responsibility of the AER.

The MEU gave its in-principle support for the NTP to i) lead a process of co-ordinating and disseminating information on good practice in undertaking the RIT; ii) recommend or specify certain elements of a methodology to be applied in undertaking the RIT; iii) ensure compliance with how the RIT is applied; and iv) take primary responsibility for undertaking the RIT in certain circumstances. The MEU stated that if a proposed investment affects a single TNSP, then the TNSP can conduct the RIT. However, if a proposed investment affects more than one TNSP, then the NTP is best suited to conduct the RIT[77].

The NGF envisaged that the NTP would have an extensive role in applying the RIT. The NGF's view was that the NTP should have sole responsibility for developing methodologies and guidelines for RIT; it should undertake preliminary application of the RIT for major projects, and also should co-ordinate and oversee the application of the Test for all projects which have material cross-border effects[78]. The NGF's view was that there would be no conflict between the NTP and AER as the compliance and monitoring functions would be undertaken by the AER. Additionally, the NGF submitted that the NTP should develop a detailed methodology for applying the RIT. The NTP can then scrutinize all TNSP applications of RIT and publicise its findings although accountability remains with TNSP[79].

VENCorp also gave active roles for the NTP in relation to the RIT. VENCorp proposed that the NTP should have oversight of TNSP decisions. VENCorp's position is that Chapter 6A does not provide sufficient financial incentives on TNSPs to build efficient investments and so one cannot rely on TNSPs to make efficient decisions.

Transgrid's view was that the NTP should not carry out the RIT. However, for TNSP's own assessments, the development options put forward in the NTNDP would form an important reference point. Transgrid maintained that TNSPs should not be bound to the development options identified by the NTP. Similarly, Macquarie Generation's opinion was that, other than the LRPP, the NTP should not have responsibility for conducting or reviewing the RIT.

Furthermore, ERAA stated that there should be no formal role for the NTP in applying the RIT. Its view was that the NTP should not be required to formally review or audit a TNSPs application of RIT. However, they conceded that the NTP may have a possible informal role by advising on methodology and assumptions. Also NTP could act as a facilitator for cross border projects[80].

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[73] AER Submission p 16
[74] Ibid
[75] ETNOF Submission p 2
[76] ETNOF Submission p 39
[77] MEU Submission p 14
[78] Ibid
[79] NGF Additional Submission
[80] ERAA Submission p 9

2.5 The Last Resort Planning Power Function

The Last Resort Planning Power (LRPP) enables the Commission to direct a TNSP to conduct a RIT in relation to an identified new network investment. Some submissions thought that the LRPP would cease to exist under the new enhanced planning arrangements. The NGF and Energy Australia expected that under new arrangements the need for the LRPP will be redundant[81].

Some submissions thought that there would be no change to the current arrangements. ETNOF's held this view and stated that that the existence of the NTP may reduce the risk of planning failure but it will not remove it entirely[82].

There were other submissions that thought that the LRPP could reside within the NTP. The MEU stated that as the proposed NTP may not have power overall aspects of transmission planning, there may still be a need for the LRPP to reside within the NTP to address particular situations[83]. However, the ERAA's view was that it would be inappropriate for the NTP to have executive decision making powers for LRPP[84]. The NGF had no strong views on whether the NTP or the Commission should be responsible for triggering the LRPP.

In relation to the status of the advisory role of the IRPC in the LRPP, ETNOF submitted that this function needed to be considered in conjunction with the other roles of the IRPC[85]. Energy Australia thought that this advisory role and information channel would still be maintained[86].

2.6 Provision for Urgent and Unforeseen Investment

On this point, the AER saw no need to build variations into the RIT criteria to accommodate unforeseen investment. In AER's view, establishing different criteria for unforeseen projects creates moral hazard and gaming potential. The AER reiterates that the contingent project mechanism built into revenue resets accommodates large uncertain investments[87].

ETNOF argued for the RIT to be flexibly designed so that it is 'fit for purpose' for different scenarios[88]. That is, it does not lengthen the time taken to obtain investment approvals when such circumstances arise, consistent with the directive from COAG. In ETNOF's view, TNSPs must have the flexibility to devote time and resources where they are most needed so as to minimise the time and resource cost implications for themselves, other market participants and customers.

Energy Australia stated that the establishment of the NTP and NTNDP should not cause delay to urgent or unforeseen investment.

[81] NGF Submission p 38
[82] ETNOF Submission p 39
[83] MEU Submission p 14
[84] ERAA Submission p 9
[85] ETNOF Submission p 39
[86] EnergyAustralia Submission p 13
[87] AER Submission p 17
[88] ETNOF Submission p 40

2.7 Detailed Design Issues

2.7.1 Need for a proponent for reliability driven options

The AER supported the continuation of the requirement for there to be a proponent for any alternative option to a reliability driven investment as is currently required by the regulatory test[89].

2.7.2 Appropriateness of the Request for Information (RFI) process to reliability investments

NGF and the AER both supported an RFI process for reliability options because this would obligate TNSP to actively seek out proponents for non-network solutions[90]. The AER stated that the RFI is about identifying options, not about the kind of investment being undertaken. In AER's view, it would be more appropriate to base an RFI obligation on the size and scale of the project rather than type of project[91]. Therefore, depending upon its size and scale, reliability investments could be subject to an RFI process.

3. Revenue and Pricing Framework

3.1 Simultaneously Aligning Transmission Revenue Re-sets

All of the submissions were opposed to the proposal to simultaneously align TNSP revenue determinations[92]. The submissions considered that any benefits gained from aligning revenue resets could be achieved by having a well informed and up-to-date NTNDP and by effective use of the contingent projects mechanism. Furthermore, submissions contended that there were significant practical difficulties for aligning revenue reset determinations[93]. The shared view was that the practicality of aligning revenue determinations would diminish rather than enhance national transmission planning arrangements.

3.1.2 Contingent Project Mechanism

There was unanimous endorsement among submissions for the contingent project mechanism[94]. The contingent project mechanism enables large, uncertain projects, including inter-regional projects, to be funded even though revenue re-sets are not aligned. The approval for funding of these projects is contingent upon the occurrence of a pre-determined objective trigger event that was based on reasonable criteria.

ETNOF considered that the contingent project mechanism was both efficient in that customers do not necessarily pay for uncertain events and it provided a degree of certainty that TNSPs would be funded for proposed expenditure in the event that the investment did proceed.

Both Energy Australia and EUAA supported the contingent project mechanism and offered suggestions. Energy Australia suggests that this process could be improved by streamlining and integration with the network service provider's capital governance processes[95]. EUAA suggested that the contingent project mechanism should include new contracted resources that provide

[89] AER Submission p 17
[90] NGF Submission p 39
[91] AER Submission p 17
[92] APA Group, APIA, Energy Australia, ETNOF, ERAA, EUAA, MEU,
[93] APIA, APA Group, Energy Australia
[94] AER, Energy Australia, ESIPC, EUAA, ETNOF, VENCorp
[95] Energy Australia Submission p 14

network management benefits[96].

3.2 NTP Functions and the AER Revenue Determination Process

Most of the submissions stated that relationship between the AER and the NTP is that the NTP provides a source of information, advice or a benchmarking standard to assist, but does not necessarily bind, the AER in making its TNSP revenue determinations. AER stated that the NTP could benchmark capital expenditure allowances by assessing the consistency between the TNSP proposals and the NTNDP[97]. VENCorp stated that the AER should be able to place substantial weight on NTP information during revenue reviews. This would be similar to current weight placed on VENCorp and ESIPC's advice to AER. However, a number of submissions emphasised the point that the NTNDP should not be binding on the AER[98]. The MEU suggested that while the AER is not bound to follow the NTP's advice, the AER ought to provide reasons for not following such advice[99].

Submissions noted that the NTP could ameliorate the effects of information asymmetry between TNSPs and AER in the revenue determination process. ESIPC noted that a competent NTP would impose a discipline on TNSPs to be reasonable in their revenue re-sets, but TNSPs are ultimately accountable for their investments[100]. However, Energy Australia noted that there was a need to manage the risk that the AER becomes over-reliant on NTP recommendations such that the NTP becomes the de-facto investor. Energy Australia (along with ETNOF) emphasised that NTP planning should not be a surrogate for TNSP's own detailed forecasts[101].

In contrast, the ERAA envisaged no formal role for the NTP in the AER revenue determinations, other than the AER seeking clarification or information form NTP. The ERAA proposed that this relationship is probably best governed by a Memorandum of Understanding and not in the National Electricity Rules[102].

3.3 Consequential Changes to Chapter 6A Rules

There was only one submission received on this point. Energy Australia identified the need for the set of obligations applying to the AER and TNSPs to take into account the NTNDP in their capital expenditure programs.

3.4 Inter-regional Charging Arrangements

While many submissions considered inter-regional charging arrangements to be within the scope of the Review, the remaining submissions considered it to be out of scope. Of the submissions considering the issue within scope, the AER agreed that this matter should be explored by the Commission. The AER noted that the appropriate mechanism will depend on the extent of the problem and whether this is more of a cost transfer issue than an economic incentive issue.

ESIPC and Energy Australia also thought that reviewing the Transmission Use of Services (TUoS) mechanism was within scope. ESIPC recognised that there is a current weakness for TUoS to cross borders leads to a disincentive on TNSP to invest in augmentations that have non-local benefits. Energy Australia stated that greater levels of interconnection will make the deficiencies in the

[96] EUAA Submission p 19
[97] AER Submission p 8
[98] ETNOF, APA, MEU
[99] MEU Submission p 15
[100] ESIPC Submission p 2
[101] See, for example, ETNOF Submission p 42
[102] ERAA Submission p 11

current state based pricing regime more apparent and hence some treatment of TUoS is appropriate.

Some submissions thought that the treatment of TUoS was out of scope for this Review. ETNOF was of this view and stated that there is no serious impediment for TNSPs investing in projects that deliver benefits across regions. ETNOF suggested that the Commission should assess the materiality of the perceived problem compared to the potential solution[103]. ERAA, on the other hand, considered that the cross-border payment mechanism as being significant but that this policy should come from the MCE[104].

4. Governance Arrangements

Most of the submissions were supportive of the NTP being located within the AEMO and did not think that a conflict of interest would emerge nor would its independence be compromised, if appropriate governance safeguards were maintained. The majority of submissions (other than the NGF) thus opposed the NTP being an independent statutory body.

Many of the submissions supported the AEMO being a business unit, administrative body or a committee located within the AEMO. AER stated that the main principles for NTP are independence, accountability, formal and frequent consultation processes and appropriate quality controls that would be incorporated in an AEMO with a single board[105]. ETNOF considered that the NTP is a separate business unit or some form of administrative body within the AEMO. This structure would enable the promulgation of the NTNDP development process and setting of the budget in consultation with interested parties. In ETNOF's view, the form and composition of the NTP just needs to ensure that the NTP has access to the right expertise and operates with a sufficient degree of independence, transparency and accountability, to properly undertake its high level strategic NTNDP development role. ESIPC assumed that the NTP would be a section of the AEMO and would not be an independent statutory body. ENA considered that matters of independence, accountability, and funding should be consistent with the AEMO governance arrangements. ENA is supportive of an NTP formed as a committee within the AEMO[106].

Similar to the above, the ESAA supported an NTP located within the AEMO rather than being a separate entity. It considers that the arrangements for the AEMO are sufficiently robust. It believed that AEMO governance will adequately manage any conflict of interest and considers that there should be a skills-based AEMO board[107]. It supported a model where the NTP is located within the AEMO rather than as a separate entity. Additionally, NEMMCO did not think that there would be any conflict of interest emerging if the NTP was a part of AEMO because NEMMCO, as market operator, currently performs operational and planning functions. NEMMCO was of the view that appropriate checks and balances will ensure AEMO gives its planning functions sufficient focus,

One of the benefits of locating the NTP within the AEMO is that planning synergies, resources and expertise would be optimised. EnergyAustralia and AER proposed that the NTP should be part of AEMO to capture planning synergies. However, Energy Australia recognised that depending upon the NTP's discrete responsibilities, there may be need for requisite separation of governance arrangements.

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[103] ETNOF Submission p 43
[104] ERAA Submission p 10
[105] AER Submission p 9
[106] ENA Submission p 3
[107] ESAA Submission p 2-4

In terms of the independence of the NTP, ETNOF considered that the NTP would operate subject to the AEMO Board and in consultation with TNSPs and stakeholders in a public and transparent way. The MEU recognised that the NTP will be located in the AEMO and this is a settled issue that ought not to be re-addressed by Commission[108]. The MEU stated that it is up to the AEMO to create the governance structure (suitable ring-fencing) to ensure the NTP is sufficiently independent in order to carry out its functions.

The NGF envisaged a more activist model for the NTP and argued that the NTP ought to have a high degree of independence. The NGF argued that the NTP should be a separate organisation with statutory powers and responsibilities with its own Commissioners, Chairman and Executive Director drawn from jurisdictions, the Commission, AEMO, TNSPs and market participants. NGF favoured a model whereby the NTP to be established as a separate entity from AEMO. NGF posited that if the NTP is to perform State planning roles, then there should be separate governance functions[109]

In terms of the accountability of the NTP, there were differences in opinion as to who the NTP should be accountable. VENCorp argued for the NTP to be directly accountable to AEMO Board. VENCorp's view is that any conflict of interest can be managed within AEMO. VENCorp stated that the NTP must be part of AEMO in order to attract resources and expertise. VENCorp noted that the NTP should be independent of market participants, investors and TNSPs. In contrast, Energy Australia was of the view that the NTP should be accountable to the MCE and not to the market operator (AEMO). Energy Australia supported a separate NTP board (similar to AER) where a representative of each market interest should sit on the NTP board. EnergyAustralia suggested that the NTNDP should be widely consultative (including joint planning with TNSPs) and be subject to merits review, which would be stipulated in the National Electricity Rules.

The Victorian Minister for Energy and Resources suggested that the governance arrangements are being addressed by the Market Operator Working Group (MOWG) investigation into the AEMO and the Commission should coordinate with MOWG[110]. ERAA stated that it is difficult to evaluate until more clarity on NTP roles and functions.

In relation to the question of funding for the NTP, Energy Australia suggested that funding arrangements for the NTP should be similar to the AEMO insofar as the basis of funding from market participants and later from the gas sector, if it falls within the scope of the NTNDP. The NGF also supported the NTP having its own budget.

5. Implementation and Transition Issues

In order to implement the NTP, submissions suggested a gradual or staged transitional process. EnergyAustralia stated that the NTNP should be developed with a consultation process in place. EnergyAustralia suggested that specific transitional arrangements should include the continuation of the IRPC and the involvement of both NEMMCO and TNSPs in developing plans until such time as the NTP is capable of assuming full responsibility. The NGF also advised the Commission to consider a staged approach to establishment of the NTP and think about prioritising the issues needing to be addressed with the preparation of the first NTNDP as the final priority [111]. To assist with the implementation and operation of the NTP, ETNOF suggested that a planning committee along with various ad-hoc working groups should be arranged[112].

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[108] MEU Submission p 16
[109] NGF Submission p 41
[110] Minister for Energy and Resources (Victoria) Submission p 2
[111] NGF Submission p 15
[112] ETNOF Submission p 49

Submissions suggested that the core functions of the NTP should be stipulated in the National Electricity Law (NEL) with subordinate powers and more detailed functions to be found in the National Electricity Rules. This was the view of MEU, NGF and NEMMCO. In relation to whether the NTP itself should be subject to the Rule Change process, ETNOF was opposed to this point whereas the NGF admitted that the NTP could be subject to the Rule Change process.

In relation to the information powers required by the NTP, the submissions stated that this could be expressed in either the NEL itself or in subordinate legislation under the NEL. ETNOF suggested that the information power should be specified in the NEL whereas the NGF's view was that such powers could reside within subordinate legislation. The AER also suggested that the National Electricity Rules should be amended to give the NTP powers obtain information from TNSPs, generators and other relevant parties to support the planner's functions[113]. However, the AER did not consider there was a need to have a formal rule governing the relationship and information flows between itself and the NTP[114]. The MEU stated that information powers could be left to the incoming AEMO board to assess what powers were needed by NTP and to expand these powers if necessary.

There were a few comments about specific funding issues. The APA suggested that NTP costs should be borne by electricity consumers and not from the gas industry. ESPIC suggested that if the NTP is doing extra jurisdictional roles (for example, VENCorp), then funding ought to arise on a jurisdictional basis.

As for the publication date of the first NTNDP, NEMMCO suggested that the appropriate publication date for the first NTNDP depends upon the relationship with other planning documents (that is. the SOO and APRs). ETNOF and MEU suggested that a first version of the NTP could follow the 2009 planning documents and be ready for publication by 2010.

[113] AER Submission p 7
[114] AER Stakeholder Discussions

List of Submissions

Australian Energy Regulator (AER)

Australian Pipeline Trust (APA)

Australian Pipeline Industry Association (APIA)

Electricity Supply Industry Planning Council (ESIPC)

Electricity Transmission Network Owners Forum (ETNOF)

EnergyAustralia

Energy Networks Association (ENA)

Energy Retailers Association of Australia (ERAA)

Energy Suppliers Association of Australia (ESAA)

Energy Users Association of Australia (EUAA)

Macquarie Generation

Major Energy Users Inc. (MEU)

Minister for Energy and Resources (Victoria): The Hon Peter Batchelor MP

National Generators Forum

National Generators Forum – Additional Submission

NEMMCO

PowerCor

Stanwell Corporation

Transgrid

VENCorp