



Inter Regional Planning Committee

2 November 2006

Dr John Tamblyn  
Chairman  
Australian Energy Market Commission  
PO Box H166  
Australia Square NSW 1215

Dear Dr Tamblyn,

**Submission to National Electricity Amendment (Reforms of the Regulatory Test Principles) Rule 2006**

Thank you for the opportunity to place this submission on the Ministerial Council on Energy (MCE) request for a Rule in relation to the Reforms of the Regulatory Test Principles.

The purpose of this submission is to bring the Commission's attention to issues and potential implications of the proposed amendments in the Draft Rule. The Inter-Regional Planning Committee (IRPC) notes the Commission's Draft Determination stating that it is beyond the scope of this Rule change to consider the IRPC's proposed amendments including to remove:

- clause 5.6.3(l) of the Rules <sup>1</sup>; and
- the word "solely" from the glossary definition of *reliability augmentation* <sup>2</sup>.

The IRPC notes that, as clause 5.6.3(l) of the Rules remains unchanged, an obligation will exist for the IRPC to develop an objective set of criteria to determine whether a new network augmentation is a *reliability augmentation*.

There are Rules requirements on proponents to justify why they consider that a new small (or large) transmission network asset is a *reliability augmentation* having regard to the IRPC's objective set of criteria (if they have been developed) <sup>3</sup>.

In developing these criteria, the IRPC must have regard to guiding objectives and principles provided by the AEMC<sup>4</sup>. The IRPC would expect that these objectives and principles would at least require consistency between the criteria, the regulatory test objectives (in the proposed Clause 5.6.5A(b)) and the definition of *reliability augmentation*. The IRPC notes that the definition of *reliability augmentation* has remained unchanged in the draft Rule and is inconsistent with the regulatory test objectives as clause 5.6.5A (b)(2) excludes the word

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<sup>1</sup> AEMC 2006, *Reform of the Regulatory Test Principles*, Draft Rule Determination, 21 September 2006, Sydney [79].

<sup>2</sup> AEMC 2006, *Reform of the Regulatory Test Principles*, Draft Rule Determination, 21 September 2006, Sydney [39].

<sup>3</sup> These requirements are set out in clause 5.6.2A (b)(5)(iii) for new small transmission network assets and clause 5.6.6 (c)(6) for new large transmission network assets.

<sup>4</sup> Guiding objectives and principles are developed under Rule 5.6.3(n)



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“solely” which is retained in the definition. The IRPC recommend this inconsistency is resolved through amending the Rules.

The inclusion of the word “solely” in the Rules definition allows an interpretation that reliability augmentations must not deliver benefits beyond that necessary to just meet the minimum *network* performance requirements set out in schedule 5.1 of the Rules or in relevant legislation, regulations or any statutory instrument of a participating jurisdiction. This interpretation while consistent with the definition, would be impractical to apply as almost all augmentations proposed to meet reliability needs will deliver some additional benefits.

If the inconsistency remains then the IRPC will expect the guiding objectives and principles developed by the AEMC under Rule 5.6.3 (n) to identify how this inconsistency is to be interpreted in developing the required guidelines. To be consistent with the proposed Rule 5.6.5A(b)(2), the criteria should allow a wider interpretation of what constitutes a reliability augmentation. The interpretation would capture all augmentations that are required to meet the minimum *network* performance requirements set out in schedule 5.1 or in relevant legislation, regulations or any statutory instrument of a *participating jurisdiction*, even if the augmentations deliver additional benefits.

The IRPC will commence developing these criteria once the AEMC have provided the guiding objective and principles for development of the IRPC criteria as contained in clause 5.6.3 (n) of the Rules.

The IRPC would be pleased if the AEMC could consider these matters in their assessment of the proposed Rule change to the regulatory test principles. For further details, please do not hesitate to contact David Bones on (07) 3347 3041

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Dr Charlie Macaulay'. The signature is written in a cursive, flowing style.

**Dr Charlie Macaulay**  
*Convener of the Inter-Regional Planning Committee*