



Australian Energy Market Commission

CONSULTATION PAPER

National Electricity Amendment (Distribution Network Planning and Expansion Framework) Rule 2011

Rule Proponent(s)

Ministerial Council on Energy

29 September 2011

RULE
CHANGE

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About the AEMC

The Council of Australian Governments, through its Ministerial Council on Energy (MCE), established the Australian Energy Market Commission (AEMC) in July 2005. The AEMC has two principal functions. We make and amend the national electricity and gas rules, and we conduct independent reviews of the energy markets for the MCE.

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1 Introduction

1.1 Rule change request

On 30 March 2011, the Ministerial Council on Energy (MCE) (Proponent) submitted a Rule change request to the Australian Energy Market Commission (AEMC or Commission) in relation to the introduction of a new national framework for electricity distribution network planning and expansion. The stated purpose of the Rule change request¹ is to implement the Rule change recommendations made by the AEMC in its Review of National Framework for Electricity Distribution Network Planning and Expansion (Distribution Network Planning and Expansion Review or Review) Final Report².

This Consultation Paper has been prepared to facilitate public consultation on the Rule change request and does not represent the views of the AEMC or any individual Commissioner of the AEMC.

1.2 Rule change process

On 29 September 2011, the Commission published a notice under section 95 of the National Electricity Law (NEL) setting out its decision to commence the Rule change process for this Rule change request.

The Commission is required to commence the Rule change process in relation to any Rule change request it receives that meets the requirements of section 94 of the NEL. We are satisfied that the Rule change request meets the statutory requirements, including that the Commission has the power to make the proposed Rule.

Commencing the Rule change process does not indicate that the Commission intends to make the proposed Rule. The outcome of this Rule change process may be that the Commission decides to:

- make the Rule change proposed by the Proponent;
- make a more preferable Rule that is different from the Rule change proposed by the Proponent; or
- not make any Rule.

The Commission may only make a Rule change if it determines that the Rule change will, or is likely to, contribute to the achievement of the National Electricity Objective

¹ MCE, Rule change request, 30 March 2011, p. 1.

² AEMC 2009, *Review of National Framework for Electricity Distribution Network Planning and Expansion*, Final Report, 23 September 2009, Sydney.

(NEO).³ Under section 91A of the NEL, the Commission may only make a more preferable Rule if it is satisfied that, having regard to the issues that were raised by the Rule change proposal, the more preferable Rule will, or is likely to, better contribute to the achievement of the NEO than the proposed Rule.

The Rule change process set out in the NEL involves, at a minimum, at least four weeks of public consultation on the Rule change proposal, publication of a draft Rule determination, an option for a public hearing after publication of the draft Rule determination, consultation on the draft Rule determination and publication of the final Rule determination.

Due to the complex and detailed nature of this Rule change proposal, the standard time periods under the NEL have been extended to provide for additional time for consultation with stakeholders and analysis of the issues. Accordingly, on 29 September 2011, the Commission published a notice under section 107 of the NEL extending the period for publication of the draft Rule determination until 22 March 2012. This timeframe will provide stakeholders with a period of eight weeks to respond to the Consultation Paper.

1.3 Consultation Paper

The remainder of this Consultation Paper is structured as follows:

- Chapter 2 sets out the background to this Rule change request;
- Chapter 3 sets out a summary of the Rule change request;
- Chapter 4 discusses the proposed framework for assessing the Rule change request;
- Chapter 5 identifies a number of issues and questions in respect of the proposed annual planning and reporting requirements;
- Chapter 6 identifies a number of issues and questions in respect of the proposed Regulatory Investment Test for Distribution (RIT-D) and dispute resolution process;
- Chapter 7 identifies a number of issues and questions in respect of the implementation of and transition to a national framework;
- Chapter 8 outlines the process for making submissions; and
- Appendix A sets out the RIT-D and dispute resolution process flowcharts.

³ See section 88 of the NEL. The NEO is set out in section 7 of the NEL and discussed in Chapter 4 of this Consultation Paper.

2 Background

2.1 Context

The 2006 amended Australian Energy Market Agreement (AEMA) set out a number of energy market regulatory functions currently carried out by jurisdictions that the Council of Australian Governments (COAG) agreed would be transferred to a national framework.⁴ In respect of electricity distribution, these included connections and capital contribution requirements, distribution network expansion and distributor interface with customers and embedded generators.

In 2007, the MCE Standing Committee of Officials (MCE SCO) commissioned a report by NERA Economic Consulting (NERA) and Allen Consulting Group (ACG) to provide advice on a national framework for electricity distribution network planning, connections and capital contribution arrangements. The NERA and ACG Report, *Network Planning and Connection Arrangements – National Framework for Distribution Networks*, was published in August 2007.⁵

In its December 2008 policy response to the NERA and ACG Report, the MCE indicated that a national framework for electricity distribution connection arrangements and electricity distribution connection charge/capital contribution arrangements, would be progressed as part of the same legislative package as the National Energy Customer Framework (NECF).

In respect of a national framework for distribution planning and expansion, the MCE considered that, given a number of recent developments in the National Electricity Market (NEM),⁶ further consultation and analysis was required before details of arrangements governing planning and expansion of electricity distribution networks could be finalised. In light of the AEMC having recently completed a similar review of transmission arrangements, the MCE considered it was appropriate for the AEMC to progress this work.

2.2 Review of National Framework for Electricity Distribution Network Planning and Expansion

In December 2008, the MCE directed the AEMC to conduct a review into the arrangements for electricity distribution planning and expansion in the NEM and propose recommendations to assist the establishment of a national framework for such planning and expansion. The terms of reference for the Review provided clear

⁴ See Annexure 2 of the 2006 amended AEMA for a summary of the relevant retail and distribution functions which governments agreed would be transferred to a national framework.

⁵ See www.mce.gov.au.

⁶ Namely the development of a Regulatory Investment Test for Transmission (RIT-T), the proposed introduction of a Carbon Pollution Reduction Scheme (CPRS) and increased Renewable Energy Target (RET), and the AEMC's review of Demand Side Participation in the NEM.

prescription on the objectives of the national framework and specified the various arrangements which would contribute to the framework.⁷

The AEMC submitted its Final Report for the Review of National Framework for Electricity Distribution Network Planning and Expansion (Final Report) to the MCE on 23 September 2009. The Final Report provided the AEMC's recommendations and supporting reasoning for the establishment of a national framework and included a proposed Rule to implement the new arrangements, for consideration by the MCE.

The AEMC's recommended design for a national planning framework consisted of three key components:

- an annual planning and reporting process;
- a Demand Side Engagement Strategy; and
- the RIT-D process.

The AEMC considered that it was through the interaction of these three components that the intended purpose and objectives of the national framework would best be achieved.⁸

It is noted that the analysis undertaken by the AEMC in the context of this Review will be a significant input into the Commission's consideration of the Rule change request.

2.3 MCE response to the Review

In September 2010, the MCE provided its response to the recommendations set out in the Final Report. Overall, the MCE expressed support for the AEMC's findings and recommendations.⁹

In particular, the MCE supported the AEMC recommendations for a Demand Side Engagement Strategy as a practical way to enable non-network providers to raise alternatives to distribution system investments and overcome a perceived failure by distribution network service providers (DNSPs) to consider non-network solutions to network constraints and planning problems.¹⁰

In addition, the MCE expressed support for the requirement on the AEMC to review the operation of the national framework after three years of operation to assess its

⁷ The terms of reference for the Review are available at: www.aemc.gov.au .

⁸ AEMC 2009, *Review of National Framework for Electricity Distribution Network Planning and Expansion*, Final Report, 23 September 2009, Sydney, p. vii.

⁹ Ministerial Council on Energy 2010, *Review of National Framework for Electricity Distribution Network Planning and Expansion: Response to the Australian Energy Market Commission's Final Report*, September 2010.

¹⁰ *ibid*, p. 2.

effectiveness against the MCE objectives and identify potential areas for further improvement.¹¹

Accordingly, on 30 March 2011 the MCE requested that the AEMC progress the Rule change request having regard to the contents of the MCE's response.

2.4 Current distribution network planning arrangements

Currently under Chapter 5 of the National Electricity Rules (NER or Rules), DNSPs are required to carry out analysis and planning of the future operation of distribution networks. DNSPs and relevant transmission network service providers (TNSPs) are also required to undertake joint planning on an annual basis. This planning activity is to cover the following five year period and take into account forecast loads, future generation and market network services, and demand side developments.¹²

While the Rules do not require that DNSPs publish any periodic planning reports, DNSPs must advise market participants of any constraints identified in the system and any proposed corrective action. For proposed corrective action options that satisfy the Regulatory Test, DNSPs are also required to consult with market participants and report on the outcomes of the economic assessment for proposed new assets with an estimated capital cost of more than \$10 million.

These broad national requirements currently set out in the Rules are supplemented by a range of state-based regulatory arrangements set out in jurisdictional legal instruments. The jurisdictional planning arrangements differ significantly, with some jurisdictions being more prescriptive in terms of the information to be reported and requirements to consider non-network options. A summary of the current provisions in each jurisdiction, as well as the provisions in the Rules, can be found in Appendix B of the AEMC's Draft Report for the Review of National Framework for Electricity Distribution Network Planning and Expansion.¹³

11 *ibid.*

12 See NER clause 5.6.2.

13 See www.aemc.gov.au.

3 Details of the Rule change request

The proposed Rule sets out a national framework for distribution network planning and expansion. It comprises several key elements, set out under two broad topics:

1. Annual planning and reporting requirements (including the Demand Side Engagement Strategy); and
2. RIT-D and dispute resolution process.

The key elements of the Rule change request are set out in the next sections. Further details on the proposed changes are set out in Chapters 5 and 6 of this Consultation Paper.

3.1 Annual planning and reporting requirements

The proposed Rule sets out the purpose, scope and requirements relevant to the establishment of a distribution annual planning and reporting regime in detail. It also includes specification of the Demand Side Engagement Strategy to be developed by each DNSP.

3.1.1 Annual planning process

The proposal for an annual planning process consists of a number of key elements. For DNSPs these include:

- Carrying out an annual planning process covering a minimum forward planning period of five years. The planning process would apply to all distribution network assets and activities undertaken that would be expected to have a material impact on the distribution network.
- Engaging with non-network providers and consider non-network alternatives.
- Preparing and publishing (nine months after the commencement of the Rule) a Demand Side Engagement document that sets out a Demand Side Engagement Strategy which will then be implemented.¹⁴ A DNSP would also be required to establish, maintain and publish a database of non-network proposals¹⁵ as well as a register of parties interested in distribution planning and investment.
- Meeting regularly to carry out joint planning with each TNSP whose network is connected to the DNSP's network. The RIT-T would apply to investments identified through the joint planning process, including any proposed transmission-distribution connection investments.

¹⁴ The Demand Side Engagement document is to be reviewed and published at least every three years.

- Meeting regularly to carry out joint planning with other DNSPs to consider any augmentation (or non-network alternative) that affects more than one DNSP network.

3.1.2 Reporting requirements

The proposal for annual reporting contains a number of key elements. This includes requiring that the Distribution Annual Planning Report (DAPR):

- Be published by the applicable jurisdictional specified date each year.¹⁶
- Is certified by the Chief Executive Officer (CEO) and a Director or Company Secretary.
- Includes forecasting information over the required planning period. This would include capacity and load forecasts at the sub transmission and zone substation level, and, to the extent possible, primary distribution feeders;
- Identifies system limitations. System limitations may result from forecast load exceeding total capacity, the need for asset refurbishment or the need to improve system security.
- Reports on investments that have been (or will be) assessed under the RIT-D (including consultation undertaken in accordance with the Demand Side Engagement Strategy, estimated capital cost and impacts that may arise for connection and distribution use of system (DUOS) charges).
- Provides details of all other committed projects with a capital cost of \$2 million or greater that were 'urgent and unforeseen' or replacements and refurbishment projects.
- Reports on other information including:
 - a description of the network;
 - regional development plans;
 - outcomes from joint planning undertaken with TNSPs and other DNSPs;
 - performance standards and compliance against those standards; and
 - a summary of the DNSP's asset management methodology.
- Provides a summary of the DNSP's activities and actions to promote non-network initiatives, including embedded generation, and information on any significant investments in metering services.

¹⁵ In selecting items to be published in the database, the proposed Rule notes that DNSPs should protect the confidentiality of commercially sensitive information.

¹⁶ This requirement was included by the MCE and is explained further in section 3.3.

The proposed Rule also specifies that certain third parties (such as a Registered Participant, Connection Applicant, Intending Participant or a stakeholder registered on the Demand Side Engagement Register) would be able to request a public forum on the DAPR. The DNSP is required to conduct the requested public forum within three months of the publication of the DAPR.

3.2 RIT-D and dispute resolution process

3.2.1 RIT-D process

The intention of establishing the RIT-D process is to provide a framework for DNSPs to consider a range of options to address the investment needs of the network. The RIT-D process would be relevant where a distribution system limitation exists and the estimated capital cost of the most expensive option to address the relevant identified need (which is technically and economically feasible) is \$5 million or more.

Through the RIT-D process, a DNSP would be able to identify the credible option (regardless of its technology) that maximises the net present value of economic benefits. In the case where the identified need is for reliability corrective action, it is possible that a preferred option may have a negative net economic benefit (that is, a net economic cost).

The RIT-D process would not be relevant for investment needs that are urgent or unforeseen investments, negotiated services, replacements, customer connection services, or where the proposed investment has been identified through joint planning processes between DNSPs and TNSPs.

In addition, the proposed Rule specifies that the RIT-D must:

- be based on a cost-benefit analysis of reasonable scenarios for each credible option compared to the scenario where no option is implemented;
- include a level of analysis that is proportionate to the scale and potential impact of the credible options;
- be applied in a predictable, transparent and consistent manner; and
- include consideration of potential market benefits.

The Australian Energy Regulator (AER) would be required to develop and publish RIT-D application guidelines which must be reflective of these principles. The guidelines must also be consistent with the RIT-D process outlined in the Rules. The RIT-D process includes the following stages:

- Initial screening test (the Specification Threshold Test (STT)): to determine the appropriate consultation and reporting requirements.

- Project specification stage: where DNSPs would be required to consult on alternative proposals to meet the identified need before the project assessment stage. The recommended period for consultation is four months and would be limited to identified needs which pass the STT.
- Project assessment stage: involving consideration of applicable market benefits and costs for each credible option to determine the preferred option. DNSPs would be required to quantify all applicable costs, but would have the option to decide which market benefit would be included. This information is to be set out by the DNSP in a final project assessment report.

3.2.2 Dispute resolution process

The proposed Rule specifies that:

- the dispute resolution process would be a compliance only review and only apply to a DNSP's application of the RIT-D against the requirements in the Rules;
- the process would apply to all investments which are subject to the RIT-D and would cover all stages and decisions made by DNSPs when applying the test;
- the dispute resolution process would be conducted by the AER;
- Registered Participants, the Australian Energy Market Operator (AEMO), the AEMC, Connection Applicants, Intending Participants, interested parties and non-network providers would be able to dispute matters set out in a DNSP's final project assessment report within 30 days of the publication of the final project assessment report;
- the AER would either reject the dispute or make a determination on the dispute within 40-100 business days (approximately two to five calendar months) of receiving the dispute notice, depending on the complexity of the dispute. The AER could make a determination to direct the DNSP to amend its final project assessment report only if:
 - the DNSP has not correctly applied the RIT-D in accordance with the Rules; or
 - the DNSP has made a manifest error in its calculations; and
- in making a determination on a dispute, the AER would specify the time frame for the DNSP to amend its final project assessment report.

3.3 Proposed Rule including MCE amendments

The MCE made several modifications to the recommendations put forward by the AEMC in its Final Report. These are as follows:

- Require each DNSP to publish a DAPR by the date one day after the applicable jurisdictional specified date.¹⁷
- Allow the AER to grant exemptions from, or variations to, the annual reporting requirements where a DNSP can demonstrate in an application to the AER that, due to the DNSP's operational or network characteristics, the costs of preparing the data would manifestly exceed any benefit that may reasonably be obtained from reporting the relevant data.
- Empower the AER to review a DNSP's policies and procedures with regard to consideration of non-network alternatives in order to determine if non-network alternatives have been duly considered. In addition, the AER would be able to audit projects which have been identified by DNSPs as not meeting the RIT-D threshold to assess whether non-network alternatives have been duly considered.
- Allow the AER to grant exemptions from the dispute resolution process if it considers the need for the relevant distribution investment to proceed outweighs the benefits from conducting the dispute resolution process.

A proposed Rule for implementation of a national framework was published with the Final Report. A marked-up version of the proposed Rule which incorporates the MCE's modifications will be published with this Consultation Paper.

3.4 Proposed future review of the national framework

The proposed Rule would require the AEMC to conduct a review (under section 45 of the NEL) into the operation and effectiveness of the national framework within three years of the commencement date of the Rule.¹⁸ The purpose of this review would be to assess the provisions to identify whether there are any areas for further improvement.

¹⁷ The 'Jurisdictional Specified Date' is defined in the proposed Rule as the date prescribed by regulation made under the application Act of a participating jurisdiction, on which the DNSP must have published the DAPR.

¹⁸ Proposed clause 5.6.2AA(b).

4 Assessment framework

The Commission's assessment of this Rule change request must consider whether the proposed Rule promotes the NEO as set out under section 7 of the NEL as follows:

“The objective of this Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system.”

The Commission's assessment of the Rule change request will give particular consideration to the likely impacts of the proposal on the following aspects of the NEO:

- *Efficient investment in distribution networks*, including incentives for DNSPs to explore non-network alternatives to capital expenditure and for non-network providers to efficiently plan and offer alternative, more cost effective options to network augmentations;
- *Efficient operation of networks*, for example, by ensuring DNSPs have a clearly defined and efficient planning process to allow them to identify and address potential problems on the network in a timely manner; and
- *Efficient use of electricity services*, for example, by ensuring network users have the best information available in order to be able to plan where best to connect to the network.

It is important to note that the NEO is founded on the concept of economic efficiency, with explicit emphasis on the long term interests of consumers. Economic efficiency has three principle dimensions, namely productive, allocative and dynamic efficiency, and there is some potential for trade-offs to arise between them.

The Commission considers that this Rule change request is primarily likely to impact on the achievement of dynamic and productive efficiency in the NEM by driving long term efficiency improvements through better investment decisions (dynamic efficiency) and by minimising the costs of operating the system by encouraging better day to day decision making (productive efficiency).

To assist in this assessment, the Commission will consider each element of the proposed national framework against the following criteria:

- *Transparency* - whether the detail of the proposed Rule makes available sufficient information to enable network users to make efficient decisions and non-network providers to propose feasible and credible alternatives to address network problems;

- *Proportionality* – whether the costs arising from the processes and regulatory requirements under the proposed framework are proportionate to the benefits. The extent of information provided and the consultation processes must strike the appropriate balance; and
- *Harmonisation of jurisdictional requirements* – whether the proposed Rule provides for differences in operating environments and network conditions across DNSPs while recognising that maintaining consistency across the NEM is a key objective of the Rule change request.

The Commission considers that economically efficient outcomes will be achieved where the frameworks in the Rules provide for the minimisation of total system costs. This should, over time, lead to efficient prices and higher quality and service for consumers. In assessing this Rule change request, the Commission will therefore also consider the extent to which the proposed Rule avoids creating bias towards any particular technology, including towards network solutions where non-network options are available.

The effects of the Rule change request on these criteria will be compared with the status quo. In this case, the status quo includes existing jurisdictional arrangements as well as the provisions currently contained in Chapter 5 of the Rules.

A key assumption in assessing this Rule change request is that the existence of different regulatory arrangements (that are not justified by differences in local circumstances) for electricity distribution network planning and expansion constitutes an impediment to the development of a truly national energy market. This is likely to result in potentially significant costs being imposed on market participants, with those costs typically being passed on to end users.

Streamlining and improving the quality of the distribution planning frameworks can be expected to lower the cost and complexity of regulation. This would be particularly relevant to investors and market participants (for example, retailers, aggregators and large businesses) seeking to operate across jurisdictions. In addition, a national approach could enhance regulatory certainty and lower barriers to competition.

Further, consistent with the conclusions of the AEMC's Distribution Network Planning and Expansion Review, the Commission considers that the existence of a robust planning and expansion framework for monopoly distribution networks is likely to facilitate sound and transparent decision-making.

Given the objectives of the 2006 amended AEMA and the conclusions of the AEMC's Distribution Network Planning and Expansion Review, this Rule change request represents the next stage in the development and implementation of a national framework for electricity distribution network planning and expansion.

In this context, the Rule change process is not intended to consider whether or not a national planning framework is needed. Rather, this process will focus on assessing whether the proposed design of the national framework as set out in the Rule change

request is appropriate and will, or is likely to, contribute to the achievement of the NEO.

5 Issues for consultation: annual planning and reporting requirements

Taking into consideration the assessment framework, there are a number of issues in respect of the proposed distribution annual planning and reporting requirements that appear to be relevant to this Rule change request.

The issues outlined below are provided for guidance. Stakeholders are encouraged to comment on these issues as well as any other aspect of the proposed annual planning and reporting requirements, including the details of the proposed amendments to the Rules.

5.1 Annual planning process

The Rules currently contain a high level obligation on DNSPs to analyse the expected future operation of the distribution network over a minimum five year forward horizon.¹⁹ This obligation, although national, is vague and in most cases is supplemented by jurisdictional arrangements which differ across jurisdictions in respect of rigour and transparency.²⁰

Under the proposed Rule, DNSPs would be required to undertake an annual planning process covering a minimum forward planning period of five years for assets in their distribution networks (and ten years for any transmission assets operated by the DNSP). The annual planning process would apply to all distribution network assets and activities that would be expected to have a material impact on the distribution network in the forward planning period. The process would require DNSPs to undertake, at a minimum, forecasts and identify system limitations including consideration of non-network alternatives.

The Rule change request states that the purpose of having a national annual planning process is to ensure that all DNSPs conduct a clearly defined, common and efficient planning process. The Proponent considers that such a process would assist in maintaining a secure, reliable and safe supply of electricity for end users across the NEM. Further, it considers that having clearly defined planning obligations would assist TNSPs, connection applicants and non-network providers to understand DNSPs decision making processes and make more efficient investment decisions when participating in the NEM.

¹⁹ NER clause 5.6.2(a).

Issues for consultation

Jurisdictional specified start date

The proposed Rule provides for each jurisdiction to determine the start date for the annual planning period by setting the date on which DNSPs must have published their DAPRs.²¹ The intent of this provision is to allow for the planning process to reflect the seasonal variability of electricity demand in each jurisdiction.²² The Proponent considers this would be likely to improve the efficiency of the operation and use of network services over the planning period.

However, allowing DNSPs in different jurisdictions to undertake planning and reporting activities over different periods may reduce transparency. It may also limit the ability of the DAPRs to provide useful comparisons of the activities of DNSPs operating in different jurisdictions.

It is noted that the AEMC recommended in its Distribution Network Planning and Expansion Review that DNSPs be required to publish their DAPRs by 31 December each year, covering the forward planning period starting 1 January the following year.²³ This recommendation provided for flexibility in the publication date of the DAPRs while maintaining consistency in the planning period across all DNSPs.

In assessing this element of the proposed Rule, it will be important to understand the reasons for, and implications (both positive and negative) of, allowing each jurisdiction to determine the start date for the annual planning period.

In addition, consideration will be given to whether there is need to provide for a 'default' start date in the Rules, to apply to jurisdictions where a start date may not be specified.

Question 1 Annual planning process

- 1.1 What are the implications of allowing each jurisdiction to determine the start date for the annual planning period?**
- 1.2 Is it necessary to include a default start date for the annual planning period in the Rules?**

²⁰ See AEMC 2009, *Review of National Framework for Electricity Distribution Network Planning and Expansion*, Draft Report, 7 July 2009, Sydney, Appendix D for a comparison of jurisdictional planning and reporting requirements (as at July 2009).

²¹ Proposed clause 5.6.2AA(q).

²² Ministerial Council on Energy 2011, *Distribution Network Planning and Expansion Framework - Rule Change Request*, p. 6.

²³ AEMC 2009, *Review of National Framework for Electricity Distribution Network Planning and Expansion*, Final Report, 23 September 2009, Sydney, pp. 19-20.

5.2 Demand Side Engagement Strategy

The Demand Side Engagement Strategy is intended to recognise the importance of proactive engagement between DNSPs and non-network providers in developing potential solutions to network constraints. This proposal was originally recommended in the AEMC's Distribution Network Planning and Expansion Review on the basis of stakeholder concerns that it can be difficult to engage with DNSPs at an appropriate stage in the planning process, and that there is limited transparency on how DNSPs assess and consider non-network alternatives.²⁴

Under the proposed Rule, DNSPs would be required to engage pro-actively with non-network providers in the development of potential solutions to system limitations. To aid with this dialogue, DNSPs would be required to establish and implement a Demand Side Engagement Strategy which would outline DNSP processes for considering non-network proposal and engaging with non-network providers. DNSPs would review and publish a Demand Side Engagement Strategy at least once every three years.

The Proponent considers that the introduction of a Demand Side Engagement Strategy would facilitate ongoing relationships between DNSPs and non-network providers, while encouraging DNSPs to consider all feasible options for network development.

In addition, the Proponent suggests that greater transparency and consultation around how DNSPs consider alternative investment options will encourage DNSPs to develop and operate their networks more efficiently. This may provide for lower network charges for end use customers.

Issues for consultation

Demand Side Engagement Strategy

The primary aim of the proposed Demand Side Engagement Strategy is to increase clarity and transparency around DNSP processes in respect of considering and assessing non-network alternatives to capital expenditure. The ability of the proposal to deliver efficiency improvements in the NEM will therefore depend, in part, on the extent to which potential investors and non-network providers are likely to find the information proposed for publication informative and useful.

Further, the proposed introduction of the Demand Side Engagement Strategy would represent a new planning requirement for the majority of DNSPs.²⁵ As such, it will be important to understand the extent to which DNSPs may benefit from development of the strategy, for example, through improving operational policies and procedures.

²⁴ AEMC 2009, *Review of National Framework for Electricity Distribution Network Planning and Expansion*, Final Report, 23 September 2009, Sydney, p. 15.

²⁵ Currently only New South Wales (NSW) and South Australia (SA) have comparable arrangements.

In addition, consideration will be given to the likely compliance costs to DNSPs of developing and implementing the proposed strategy, in order to understand whether the potential benefits are likely to outweigh the expected costs.

Question 2 Demand Side Engagement Strategy

- 2.1 To what extent would potential investors, non-network providers and any other interested parties find the information provided by the proposed Demand Side Engagement Strategy (specifically, the Demand Side Engagement document, the database of non-network proposals/case studies and the Demand Side Engagement register) useful?**
- 2.2 To what extent would DNSPs incur additional costs in developing and maintaining the various components of the proposed Demand Side Engagement Strategy?**

5.3 Distribution Annual Planning Report

The Rules currently do not require DNSPs to publish the results of their planning activities with respect to distribution assets. However, the majority of jurisdictions have in place jurisdictional arrangements which require that each DNSP prepare an annual report.²⁶

While the jurisdictional reporting requirements tend to be similar in their objectives (that is, to report on emerging constraints on the distribution network) the scope, content and timeframes for reporting differ significantly across jurisdiction. This risks creating significant costs for market participants and other parties operating across jurisdictions and has the potential to lead to inefficient outcomes in the NEM.

The purpose of the proposed DAPR would be to report on the outcomes of DNSPs' planning processes under the national framework. The proposed Rule would introduce obligations on DNSPs in respect of:

- publication of the DAPR, including timeframes, certification and communication requirements; and
- content of the DAPR, including scope, identification of system limitations, reporting on network investments and other reporting requirements.

It is noted that the proposed content of the DAPR is intended to maintain the core of existing jurisdictional requirements.²⁷

²⁶ Except in the Australian Capital Territory (ACT), where there are no additional jurisdictional requirements.

²⁷ AEMC 2009, *Review of National Framework for Electricity Distribution Network Planning and Expansion*, Final Report, 23 September 2009, Sydney, p. 29.

The Rule change request states that the purpose of the proposed national annual reporting requirements is to provide a more consistent and comprehensive annual reporting regime for DNSPs across the NEM. It claims that the introduction of DAPRs would provide transparency to DNSPs' decision making processes, thereby assisting non-network providers, TNSPs and connection applicants to make efficient investment decisions. The Proponent also states that DAPRs could be used by regulators such as the AER to understand the activities undertaken by DNSPs and how they are developing their networks.

Issues for consultation

Exemptions or variations to the annual reporting requirements

The proposed Rule would allow for the AER to grant exemptions or variations to the national annual reporting requirements where a DNSP is able to demonstrate to the AER that, due to its operational or network characteristics, the costs of preparing the data would "...manifestly exceed any benefit that may reasonably be obtained from reporting the relevant data in a national regime."²⁸

However, providing for DNSPs to apply for exemptions or variations to the annual reporting requirements may risk diluting the potential benefits to be gained from reporting under a national regime, in particular the transparency and accountability of DNSPs' actions. While it is important that the Rules are able to accommodate differences in local circumstances, it is also important that consistency across the NEM is maintained to the maximum extent possible.

In considering this element of the proposed Rule further, consideration will be given to whether there is benefit in defining a minimum set of core reporting requirements for which DNSPs would be unable to apply to the AER for a variation or exemption. This may help to retain some of the benefits from reporting under a national framework, while also allowing some flexibility in reporting where non-core information proves particularly costly to prepare relative to the benefits to the market from reporting it.²⁹

In addition, it is noted that the proposal to allow for exemptions or variations to the reporting requirements includes some high level specifications around the process for granting an exemption or variation to the reporting requirements.³⁰ Consideration will also be given to whether this detail is sufficiently clear to ensure the requirement can be appropriately applied.

²⁸ Proposed clauses 5.6.2AA(u)-(w).

²⁹ It is noted that the Rule change proponent recognises that the annual planning and reporting requirements will impose compliance costs on DNSPs. However, it does not expect that these costs would be excessive on the basis that the proposed requirements are, for a number of DNSPs, similar to existing jurisdictional requirements. In addition, the Rule change proponent notes that it would expect the costs of complying with the annual reporting requirements to fall over time as DNSPs develop their understanding of the new obligations and efficiencies in their planning processes.

Quality of the DAPRs

The ability of the proposed DAPRs to promote efficient outcomes in the NEM will depend, to some extent, on the quality of data and information provided in the reports.

In its Distribution Network Planning and Expansion Review, the AEMC considered that it was not appropriate to extend the proposed dispute resolution process to DNSPs' annual planning process and reporting on the basis that sufficient business and regulatory drivers exist to ensure that DNSPs carry out appropriate planning and produce accurate forecasts in their DAPRs.³¹

In addition, it is noted that the proposed Rule would require DAPRs to be certified by DNSPs' CEO and a Director or Company Secretary, prior to publication. This requirement is intended to ensure that DAPRs meet the necessary regulatory requirements and accurately represent the policies of the DNSP, thereby increasing confidence in the content of the reports.

In assessing this aspect of the proposal further, consideration will be given to whether the proposed certification requirements, in combination with the relevant business and regulatory drivers, provide sufficient discipline on DNSPs to deliver robust, high quality DAPRs.

Question 3 Distribution Annual Planning Report

- 3.1 What are the implications (positive and negative) of providing DNSPs with the opportunity to apply for exemptions or variations to the annual reporting requirements?**
- 3.2 Do you consider the proposed process for applying for and granting an exemption or variation to the annual reporting requirements is appropriate?**
- 3.3 How might a DNSP demonstrate, and the AER determine, whether the costs of preparing certain reporting data would "manifestly exceed any benefit that may reasonably be obtained from reporting the relevant data in a national regime"? Is there a need to define a set of criteria to assist both parties in this assessment?**
- 3.4 Are there any alternative solutions which may better balance the benefits of maintaining consistency across the NEM with the costs of preparing and reporting the data under a national framework?**
- 3.5 Do DNSPs face sufficient business and regulatory drivers to ensure that they carry out appropriate planning and produce accurate forecasts in their DAPRs?**

³⁰ Proposed clause 5.6.2AA(w).

³¹ See AEMC 2009, *Review of National Framework for Electricity Distribution Network Planning and Expansion*, Draft Report, 23 September 2009, Sydney, p. 66.

3.6 Is there a need to consider additional measures to ensure DNSPs deliver robust, high quality DAPRs? If so, what additional measures could be put in place?

5.4 Joint planning requirements

The Rules currently require TNSPs to conduct an annual joint planning review with DNSPs which must include consideration of forecast loads and a review of the adequacy of existing connection points and planning proposals for future connection points.³² The results of the joint planning conducted between a DNSP and TNSP must be published by the TNSP in its Annual Planning Report (APR).³³

The proposed joint planning requirements would place an obligation on DNSPs to conduct joint planning with the TNSP of each of the transmission networks to which the DNSPs networks are connected. The proposed Rule clarifies that the relevant DNSP and TNSP must meet on a regular and as required basis to carry out joint planning. It also clarifies that these parties must use reasonable endeavours to ensure efficient planning outcomes and to identify the most efficient investment options. The proposed Rule would also require TNSPs and DNSPs to agree on a lead party to progress an investment. The Proponent considers that clarification of these arrangements would provide for greater efficiency in the development of distribution and transmission networks.

In addition, the proposed Rule would require the RIT-T to be applied to any joint investments identified through the joint planning process. This would ensure that the most economic option to address a joint need for investment would be identified and potentially adopted.

The proposed Rule also clarifies that DNSPs must meet with each other regularly to undertake joint planning where there is a need to consider any augmentation or non-network alternative that affect more than one distribution network. It is noted that there are currently no specific provisions in the Rules reflecting the joint planning work undertaken between DNSPs.

Issues for consultation

Clarification of the joint planning requirements

The proposed Rule recognises that the current provisions and processes adopted by DNSPs and TNSPs in carrying out joint planning activities are working effectively. The purpose of this aspect of the proposed Rule is therefore to add clarity to the existing provisions within Chapter 5.

³² NER clause 5.6.2(b),(c).

³³ NER clause 5.6.2A(a).

However, it is noted that the proposed Rule would oblige DNSPs to conduct joint planning with TNSPs, whereas the current provisions provide for TNSPs to be the lead party in conducting joint planning with DNSPs. The potential implications of this change will be considered further as part of the Commission's assessment.

Joint planning between Distribution Network Service Providers

The proposed Rule would require DNSPs to meet regularly to undertake joint planning with other DNSPs where there is a need to consider any augmentation or non-network alternative that affect more than one distribution network.³⁴

In assessing this aspect of the proposal further, consideration will be given to the degree of interaction required between DNSPs across jurisdictions, and whether the proposed Rule is appropriate and sufficient in clarifying the joint planning arrangements.

Question 4 Joint planning requirements

- 4.1 Do you consider the proposed Rule is appropriate and sufficient in clarifying the arrangements for joint planning between DNSPs and TNSPs?**
- 4.2 In what circumstances would DNSPs be required to undertake joint planning with other DNSPs?**
- 4.3 Do you consider the proposed Rule is appropriate and sufficient in clarifying the arrangements for joint planning between DNSPs?**

³⁴ Proposed clause 5.6.2AA(i).

6 Issues for consultation: RIT-D and dispute resolution process

Taking into consideration the assessment framework as outlined in Chapter 4, we have identified a number of issues in respect of the proposed RIT-D and dispute resolution process that appear to be relevant to this Rule change request.

The issues outlined below are provided for guidance. Stakeholders are encouraged to comment on these issues as well as any other aspect of the proposed RIT-D and dispute resolution process, including the details of the proposed amendments to the Rules.

6.1 Regulatory Investment Test for Distribution

The current Rules require that, for any distribution project, a DNSP must carry out an economic cost effectiveness test to identify possible investment options that satisfy the Regulatory Test.³⁵

The term 'cost effectiveness test' is used in the Rules to refer to the reliability limb of the Regulatory Test whereby the lowest cost option of meeting a reliability obligation would be selected. Currently, the Rules do not allow DNSPs to consider market benefits in their assessment of different investment options.³⁶ There is a concern that this may result in inefficiencies in how distribution networks are developed.

In addition, for distribution projects above \$10 million, the Rules require DNSPs to consult on their economic cost effectiveness analysis and publish a report on the results of the cost effectiveness test.³⁷ Several jurisdictions also have in place additional requirements on DNSPs in respect of case-by-case project assessments and consultation, and project evaluations.³⁸

³⁵ Since the commencement of the NEM, there has been a requirement to assess the economic contribution or feasibility of network augmentation investment proposals by means of a 'Regulatory Test', the form of which has varied over time. The Regulatory Test can be applied differently, depending on the primary purpose of the prospective investment. There are two possible limbs: (1) Reliability limb - Investments to meet mandatory obligations, such as reliability standards, are required to demonstrate that they are least cost in relation to the alternatives. The alternatives must have a clearly identifiable proponent; and (2) Market benefits limb - Discretionary investments that provide market benefits are required to show that they maximise net benefits in relation to the alternatives. In this case, while the alternatives must be genuine and practicable, there is no requirement that they have a proponent.

³⁶ As such, the Rules assume that all DNSP augmentations are driven by reliability obligations, which may not be the case.

³⁷ The Rules do not require DNSPs to consult in relation to the economic assessment of projects nor explain their decisions in respect of investments under \$10 million.

³⁸ Both NSW and SA require a case-by-case project assessment of all proposed augmentations to evaluate the possibility of non-network solutions. In addition, only these two states specify an evaluation process that distributors should follow in considering projects. See AEMC 2009, *Review of National Framework for Electricity Distribution Network Planning and Expansion*, Scoping and Issues Paper, 12 March 2009, Sydney, p. 20.

Under the proposed Rule, a new project assessment and consultation process for distribution investments - the Regulatory Investment Test for Distribution (RIT-D) - would be introduced to replace the current Regulatory Test and relevant jurisdictional requirements. The proposed Rule would introduce obligations in respect of:

- the scope of investments which would be subject to the RIT-D;
- the assessment framework of the test itself; and
- the required consultation stages, including reporting and timing requirements.

A diagram outlining the proposed design of the RIT-D is provided in Appendix A.

The proposed RIT-D process has been designed to ensure that DNSPs consider investment options in a transparent, consultative and technologically neutral manner, thereby facilitating the discovery and adoption of the most economically efficient investment option to address an identified need. This would increase efficiency in the development and operation of distribution networks, and potentially provide for more efficient network charges and improved reliability for end use customers.

In addition, the Proponent considers that clearer and more comprehensive information regarding DNSPs' decision making processes would assist other market participants such as TNSPs, connection applicants and non-network providers to make more efficient investment decisions when operating in the NEM. Detailed information regarding the economic justification of distribution investments may also assist the AER in its determination of DNSPs revenues under Chapter 6 of the Rules which should result in more efficient network charges.

Issues for consultation

RIT-D design parameters

The RIT-D framework contains a number of key design parameters which are intended to operate together to achieve the overall objectives of the RIT-D. These include:

- the scope of investments subject to the RIT-D, including the RIT-D cost threshold,³⁹
- exemptions from the RIT-D; and
- the consultation procedures and timeframes.

³⁹ The Rule change request proposes that the RIT-D cost threshold be set at \$5 million. It is noted that the level of the cost threshold elicited divergent views across stakeholders during the AEMC's Review of Distribution Network Planning and Expansion. Network Service Providers (NSPs) and the AER generally considered that the threshold should not be set at a level lower than \$5 million, while non-network providers and advocacy groups considered that the threshold level should be set at a level considerably lower. See Chapter 4 of the AEMC's Final Report for the Review for further information.

It is the operation of, and interaction between, each of the design features which will determine the likely costs and benefits to the market from implementing the proposed RIT-D. In analysing the impacts of the proposed RIT-D on efficiency in the NEM, it will therefore be important to understand the role that each element is intended to play within the broader RIT-D framework, and whether they work together to achieve a workable framework for DNSPs to make efficient investment decisions.

AER review of non-network alternatives

The proposed Rule provides for the AER to review a DNSP's policies and procedures in order to determine if non-network alternatives have been duly considered. In addition, the proposed Rule gives the AER the ability to audit projects which have been identified by DNSPs as not meeting the threshold for the RIT-D, to assess whether non-network alternatives have been duly considered in these cases. Additional transparency would be added to this process by requiring the AER to publish a report by March each year, detailing the results of any audit undertaken in the preceding 12 months.

These additional powers for the AER are intended to provide an increased incentive for DNSPs to fully consider non-network solutions for all their investment decisions on the basis that they could also be held accountable through the increased auditing powers of the AER. The Rule change proponent considers this arrangement will contribute to the promotion of efficient investment decisions and efficient use of network services by DNSPs.

It should be noted that the AER already has a number of functions and powers set out in legislation in relation to monitoring, investigating and enforcing compliance with various aspects of the national energy framework, including with the NER.⁴⁰ The AER's compliance and enforcement strategy sets out the range of mechanisms used to monitor compliance, which include undertaking audits to assess participants' compliance with specific obligations.⁴¹ In addition, the AER issues quarterly compliance reports setting out the results of its monitoring and enforcement activities.

In assessing this aspect of the proposed Rule further, consideration will be given to whether it is necessary to specify these additional powers for the AER in the Rules, or whether these activities would be captured under the AER's existing functions and powers set out in the NEL.

The assessment of the proposed Rule will therefore include consideration of the necessity for AER audits of DNSPs processes and the tools available to it for this purpose.

⁴⁰ The AER's core functions and powers in this area are set out in section 15 of the National Electricity Law and section 27 of the National Gas Law.

⁴¹ The AER's compliance and enforcement strategy is set out in its *Compliance and Enforcement – Statement of Approach* document available at www.aer.gov.au.

Question 5 Regulatory Investment Test for Distribution

- 5.1 Do you consider the proposed RIT-D design parameters are likely to work together to provide an effective decision making framework for DNSPs, consistent with the NEO?**
- 5.2 Do you consider it is necessary to provide the AER with additional powers to (1) review a DNSPs policies and procedures with regard to the consideration of non-network alternatives and (2) audit projects which have been identified by DNSPs as not meeting the threshold for the RIT-D?**
- 5.3 Should the AER be required to publish a separate annual report detailing the results of any audit undertaken in the preceding 12 months?**

6.2 Dispute resolution process

Currently, disputes regarding the application of the Regulatory Test by DNSPs must be resolved under the dispute resolution process in Chapter 8 of the Rules.⁴² These provisions are general in nature and not tailored to the specific types of disputes that may be raised in relation to distribution planning.⁴³ Further, the dispute resolution process in Chapter 8 of the Rules only applies to disputes between Registered Participants. There are currently no formal jurisdictional dispute resolution processes for distribution in any of the NEM jurisdictions.

The Rule change request proposes to introduce a specific dispute resolution process for the RIT-D which has been modelled on the dispute resolution process for the RIT-T. The process would apply to all investments which are subject to the RIT-D and would be a compliance only review of a DNSPs application of the RIT-D against the requirements in the Rules. A diagram outlining the proposed design of the dispute resolution process is provided in Appendix A.

The Rule change request notes that the proposed dispute resolution process is intended to provide greater transparency and clarity regarding how disputes can be resolved and the obligations on disputing parties. The Rule change proponent considers that the proposed process would allow disputes to be resolved in a timely manner, ensuring that distribution investments are not unduly delayed.

⁴² Registered Participant's and the DNSP are first required to negotiate in good faith and if agreement cannot be reached, the dispute resolution process under NER clause 8.2 is triggered. NER clause 5.6.2(j)-(k).

⁴³ For example, disputes may only be raised and in relation to the project evaluation reports for new large distribution assets (projects which will cost in excess of \$10 million) or where the project will change the Registered Participant's DUOS charges by more than two per cent. NER clause 5.6.2(i).

Issues for consultation

Process for raising a dispute

The proposed Rule would expand the scope of parties who could raise a dispute to include the AEMC, AEMO, connection applicants, Intending Participants, non-network providers, interested parties and Registered Participants.⁴⁴ The Proponent considers that this proposed scope would allow any party which may be impacted by DNSPs' decisions under the RIT-D, including any non-network providers and interested parties, to raise a dispute with the AER.

In assessing this aspect of the proposal further, consideration will be given to whether the proposed scope of parties eligible to raise disputes under this process is appropriate.

Exemptions from the dispute resolution process

The proposed Rule provides for the AER to grant an exemption from the dispute resolution process if it considers the need for the relevant distribution investment to proceed outweighs the benefits from conducting the dispute resolution.⁴⁵

However, the proposed dispute resolution process would also allow the AER, upon receiving a dispute notice, to dismiss disputes which are misconceived or lacking in substance.⁴⁶ This provision was intended to safeguard against vexatious or baseless disputes, while also ensuring that disputes do not unnecessarily delay investments.

In addition, urgent and unforeseen investments which would be exempt from the proposed RIT-D process, would also be exempt from the proposed dispute resolution process.⁴⁷ The proposal to exempt urgent and unforeseen investments from the RIT-D was intended to ensure that necessary but unanticipated investments which need to be made by DNSPs would not be adversely impacted by the RIT-D process.

It is also noted that the proposed dispute resolution process would be limited to a review of DNSPs' compliance under the Rules regarding their application of the RIT-D. In its Final Report for the Distribution Network Planning and Expansion Review, the AEMC noted that the scope of the dispute resolution process would ensure that DNSPs remained the ultimate decision makers in respect of which investments should be constructed. The AEMC considered that it was not appropriate for the regulator (nor did the regulator have the required experience) to effectively take over the role of network planner once a dispute had been raised.⁴⁸

44 Proposed clause 5.6.6AC(a).

45 Proposed clause 5.6.6AC(j).

46 Proposed clause 5.6.6AC(d)(1).

47 Proposed clause 5.6.5CB(c).

48 AEMC 2009, *Review of National Framework for Electricity Distribution Network Planning and Expansion*, Final Report, 23 September 2009, Sydney, p. 68.

The Commission will have regard to these issues and others when assessing this aspect of the proposed Rule against the NEO.

Finally, the proposed Rule does not contain specification or detail around the process or timing for granting such an exemption. In considering this aspect of the proposed Rule, consideration will be given to whether it is necessary to include additional details in the Rule in order to clarify this requirement.

Question 6 Dispute resolution process

- 6.1 Do you consider the proposed scope of parties who could raise a dispute to be appropriate?**
- 6.2 What are the implications (positive and negative) of allowing the AER to grant exemptions from the proposed dispute resolution process?**
- 6.3 Is there a need to develop detail or specification around the process for applying to the AER for, and the AER approving, exemptions to the dispute resolution process?**

7 Implementation and transition

7.1 Transitional arrangements

In its Distribution Network Planning and Expansion Review, the AEMC outlined that its recommendations for the design of a national framework were premised on existing jurisdictional arrangements for project assessment and annual planning and reporting (to the extent that they would be covered by the national framework) being rolled back once the national framework was in place.⁴⁹

However, the Rule change request does not address the issue of the rolling back of jurisdictional planning arrangements to accommodate the possible introduction of the proposed national framework. Nonetheless, the introduction of a national framework will require coordination between the possible implementation of the proposed national framework with amendments to the jurisdictional requirements. There are several issues that require consideration.

The introduction of the proposed national framework is likely to result in potentially significant changes to the operational practices of some DNSPs and other market participants. To ensure DNSPs are able to comply with the new planning and reporting requirements, it was intended that DNSPs be provided with a minimum period of nine months before being required to publish their first DAPR, following the making of a final Rule.⁵⁰ In addition, to enable the AER sufficient time to develop the new RIT-D and supporting guidelines, the Rule change proposal provides for a one year transition period to apply before the RIT-D commences, after the Rule change has been made.⁵¹

In assessing the Rule change request against the NEO, consideration will be given to whether these periods of time are sufficient for transition to the proposed new framework. This will include consideration of whether these timeframes are appropriate for all jurisdictions.

Further, it is not intended that DNSPs be required to comply simultaneously with existing jurisdictional arrangements and the proposed new framework, if implemented. Assessment of the Rule change request will therefore include consideration of whether the proposed arrangements should (and do) allow for projects initiated under existing jurisdictional regimes to be carried through to finality under the same regime.

The Proponent has requested that consideration be given to aligning the start date for the application of the distribution network national planning and expansion framework with the NECF process. It is anticipated that the Rule change process will

⁴⁹ AEMC 2009, *Review of National Framework for Electricity Distribution Network Planning and Expansion*, Final Report, 23 September 2009, Sydney, p. 9.

⁵⁰ AEMC 2009, *Review of National Framework for Electricity Distribution Network Planning and Expansion*, Final Report, 23 September 2009, Sydney, p. 8.

⁵¹ *ibid.*

be completed by 1 July 2012, in time for the commencement of the NECF. However, market participants are requested to advise the AEMC on whether there would likely be any impacts if the two reforms were not implemented at the same time.

Question 7 Implementation and transition

- 7.1 Are there any issues in respect of the rolling back of jurisdictional requirements that may need to be supported or provided for by transitional provisions in the Rules?**
- 7.2 If the proposed national framework was to be introduced, are the proposed timeframes appropriate to allow for the transition to the national framework?**
- 7.3 Are there any other factors that should be taken into account in developing transitional provisions to enable the efficient potential application of the proposed Rule to all DNSPs?**
- 7.4 From a market participant perspective, are there any implications in not aligning the proposed introduction of the national framework with the commencement of the NECF?**

8 Lodging a submission

The Commission has published a notice under section 95 of the NEL for this Rule change proposal inviting written submission. Submissions are to be lodged online or by mail by 24 November 2011 in accordance with the following requirements.

Where practicable, submissions should be prepared in accordance with the Commission's Guidelines for making written submissions on Rule change proposals.⁵² The Commission publishes all submissions on its website subject to a claim of confidentiality.

All enquiries on this project should be addressed to Claire Rozyn on (02) 8296 7800.

8.1 Lodging a submission electronically

Electronic submissions must be lodged online via the Commission's website, www.aemc.gov.au, using the "lodge a submission" function and selecting the project reference code "ERC0131". The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

Upon receipt of the electronic submission, the Commission will issue a confirmation email. If this confirmation email is not received within 3 business days, it is the submitter's responsibility to ensure the submission has been delivered successfully.

8.2 Lodging a submission by mail

The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated. The submission should be sent by mail to:

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Or by Fax to (02) 8296 7899.

The envelope must be clearly marked with the project reference code: ERC0131.

Except in circumstances where the submission has been received electronically, upon receipt of the hard copy submission the Commission will issue a confirmation letter.

If this confirmation letter is not received within 3 business days, it is the submitter's responsibility to ensure successful delivery of the submission has occurred.

⁵² This guideline is available on the Commission's website.

Abbreviations

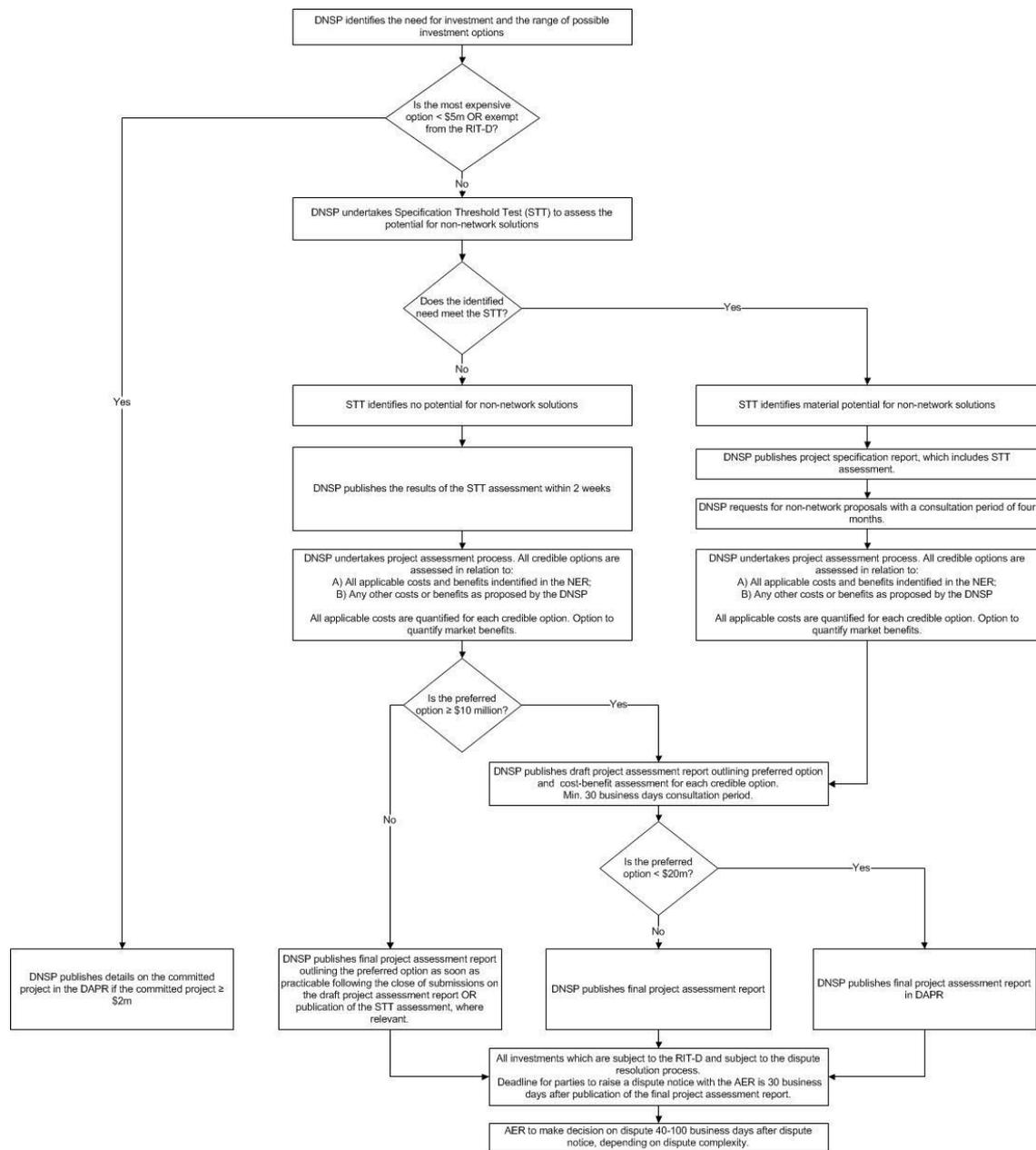
ACG	Allen Consulting Group
ACT	Australian Capital Territory
AEMA	Australian Energy Market Agreement
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
APR	Annual Planning Report
CEO	Chief Executive Officer
Commission	See AEMC
CPRS	Carbon Pollution Reduction Scheme
DAPR	Distribution Annual Planning Report
DNSP	Distribution Network Service Provider
DUOS	Distribution Use of System
MCE	Ministerial Council on Energy
MCE SCO	MCE Standing Committee of Officials
NECF	National Energy Customer Framework
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
NERA	NERA Economic Consulting
RET	Renewable Energy Target
RIT-D	Regulatory Investment Test for Distribution

RIT-T	Regulatory Investment Test for Transmission
Rules	See NER
STT	Specification Threshold Test
TNSP	Transmission Network Service Provider

A Summary of the proposed RIT-D and dispute resolution process

A.1 Proposed RIT-D process

Figure A.1



A.2 Proposed dispute resolution process

Figure A.2

