

24 November 2016

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235



Dear Mr Pierce

Consultation Paper: National Electricity Amendment (Replacement Expenditure Planning Arrangements) Rule 2016 (ERC0209)

Energex Limited (Energex) appreciates the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) on its *National Electricity Amendment (Replacement Expenditure Planning Arrangements)* consultation paper (consultation paper) relating to a rule change request received from the Australian Energy Regulator (AER).

The AER's rule change request aims to strengthen the focus on and transparency of network asset replacement decisions by Network Service Providers (NSPs) by amending the National Electricity Rules to require NSPs to:

- include information on planned asset retirements and de-ratings in their annual planning reports and options to address network limitations arising from those retirements and de-ratings; and
- apply the regulatory investment test to replacement projects.

Energex's comments with respect to the specific questions raised by the AEMC in relation to the AER's rule change request are provided in **Attachment A**.

Energex is of the opinion that existing incentive schemes already promote prudent and efficient network investment. However, Energex supports transparency and consistency in network planning processes and decision-making and acknowledges that non-network solutions can potentially provide efficient, cost-effective alternatives to investment in network assets.

While there may be commercially and technically feasible network solutions available to reduce or defer the need for investment in network augmentation, Energex considers that there are only likely to be very limited circumstances where non-network solutions have the potential to provide a viable alternative to like-for-like replacement of distribution network assets. Consequently, as the proposed rule change will impose additional regulatory and administrative obligations on NSPs, care should be taken to ensure that the requirements will add value and that the costs of compliance are likely to be outweighed by the expected benefits to energy market stakeholders and consumers of electricity.

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Energex has also contributed to Energy Networks Australia's (ENA's) submission on the consultation paper and is generally supportive of the views contained therein. Energex particularly notes the ENA's comments with respect to the range of current and pending rule change requests which have the potential to result in changes to network planning arrangements and endorses the ENA's recommendation that a holistic approach should be applied by the AEMC to assessment of these rule changes.

Should you have any queries regarding this submission, please contact Charmain Martin, on (07) 3664 4105.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'N Roscoe', written in a cursive style.

Nicola Roscoe
Network Regulation Manager

Energex

Response to Replacement Expenditure
Planning Arrangements: Consultation Paper
(ERC0209)

November 2016



positive energy

Energex Limited (Energex) is a Queensland Government Owned Corporation that builds, owns, operates and maintains the electricity distribution network in the growing region of South East Queensland, including the poles and wires and underground cables used to connect houses and businesses to the electricity network. We provide distribution services to almost 1.4 million domestic and business connections, delivering electricity to a population base of around 3.2 million people.

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1 Introduction

On 27 October 2016 the Australian Energy Market Commission (AEMC) published a consultation paper in relation to a rule change request received from the Australian Energy Regulator (AER). The AER's rule change request aims to strengthen the focus on and transparency of network asset replacement decisions by Network Service Providers (NSPs).

To achieve its intended aim, the AER has proposed that obligations similar to those that currently apply to network augmentation projects under Chapter 5 of the National Electricity Rules (NER) should be extended to asset replacement projects. The proposed amendments to the NER would require NSPs to:

- include information on planned asset retirements and de-ratings in their annual planning reports and options to address network limitations arising from those retirements and de-ratings; and
- apply the regulatory investment test to replacement projects.

The AEMC has requested that interested stakeholders should make submissions on the issues raised in its consultation paper by 24 November 2016. Energex's responses to the specific questions raised in the AEMC's consultation paper are provided in section 3 of this submission.

2 General comments

Energex recognises that the operating environment is dynamic, with energy usage patterns shifting due to changes in customers' responses to economic pressures, rising electricity prices, energy efficiency initiatives and the continued rapid deployment of distributed generation. Energex also recognises that new technologies, such as energy storage and distributed generation, have the potential to provide alternatives to traditional network assets and that transparent and consistent network planning and investment decision-making processes can assist in facilitating the engagement of new participants in the energy value chain.

Planning and development of the distribution network is integral to Energex meeting its obligations as a Distribution Network Service Provider (DNSP) in South East Queensland. As such, Energex has established a structured and coordinated network development planning framework. As part of this framework, Energex provides comprehensive information about its network in the Distribution Annual Planning Report (DAPR) and undertakes detailed analysis with respect to demand management, new capacity investments, asset replacement and refurbishments, reliability and supply power quality. Through this planning process, Energex seeks to ensure that network augmentation and asset replacement solutions are not only technically capable of meeting current and forecast customer demand requirements and mandated safety and legislative obligations but that they are also economically efficient. Possible non-network solutions are considered as part of this process and may include options such as local generation and demand side management initiatives.

While Energex acknowledges there may be commercially and technically feasible non-network solutions available to reduce or defer the need for investment in network augmentation, the extent to which alternative technologies are likely to provide a feasible and credible substitute for replacement of existing distribution network assets, such as low-voltage distribution network feeders (poles and wires) and distribution transformers, is limited. In Energex's view, the potential for non-network solutions, including distributed generation and energy storage, to be viable alternatives for like-for-like replacement will generally be restricted to higher voltage assets such as power transformers and, on occasion, sub-transmission feeders.

Although the circumstances in which the proposed rules would apply to distribution asset replacement projects are likely to be limited, Energex acknowledges there is a need for transparency in network planning and asset replacement decisions. However, as imposing additional regulatory and administrative obligations on NSPs will incur compliance costs and increase project lead times, care should be taken to ensure that any proposed rule will add value and that the costs are likely to be outweighed by the expected benefits to energy market stakeholders and consumers of electricity.

3 Response to consultation questions

3.1 The problem

Issue for consultation	Energex response
<p>Question 1</p> <p>a) Are non-network solutions a viable alternative to replacing network assets on a like-for-like basis?</p> <p>b) How does this differ from the potential for a non-network solution to provide a viable alternative to augmenting the network?</p>	<p>Energex considers that non-network solutions may be a viable alternative to replacing distribution network assets on a like-for-like basis, but only in very limited circumstances. The viability of a non-network solution will be largely dependent on the type of asset being replaced, the configuration of the network and the timing of the replacement. For example, it is not envisaged that there are currently commercially and technically feasible alternative technology solutions available for replacing equipment such as low-voltage distribution network feeders (poles and wires), distribution transformers or secondary network equipment such as protection relays. It is also unlikely that a non-network solution could substitute a like-for-like replacement following an unexpected asset failure or storm damaged equipment. However, Energex does consider that there may be situations where non-network alternatives, such as distributed generation and energy storage, may be viable options for replacement of higher voltage assets, such as power transformers and, on occasion, sub-transmission feeders.</p> <p>In the case of augmentation, the NSP will take into consideration the amount of network augmentation required to support incremental load growth over a number of years. There is therefore greater potential for a non-network solution, such as distributed generation and energy storage, to reduce or defer the need for investment in network augmentation. However, in the case of replacement, networks will frequently replace major plant that supplies large amounts of capacity. It is therefore less likely that a non-network solution would be the most commercially and technically viable option to provide the total load (for example the replacement of an aged power transformer with generation).</p>

Issue for consultation	Energex response
<p>Question 2</p> <p>a) Are the current annual planning reporting requirements in the NER relevant and likely to be useful for replacement expenditure?</p> <p>b) If any, where are the gaps in the current annual planning reporting requirements in the NER for replacement expenditure?</p>	<p>Energex has been reporting on replacement projects in the DAPR for a number of years. However, reporting on these projects has not resulted in any meaningful engagement with non-network service providers seeking to offer alternative solutions for asset replacement projects to date. Energex attributes this to the fact that there are likely to be only very limited circumstances where a non-network solution could offer a commercially and technically viable alternative to like-for-like replacement of distribution network equipment. Consequently, providing more detailed information on distribution network constraints that are expected to arise as a result of planned asset retirements and de-ratings may only be of limited use to energy market stakeholders.</p>
<p>Question 3</p> <p>a) What do NSPs currently do to plan for asset replacement in practice?</p> <p>b) To what extent does this address the perceived problems identified by the AER?</p>	<p>Energex has established a structured and coordinated network planning framework which is set out in the DAPR as well as a range of policies and procedures.</p> <p>Energex's asset replacement strategy aims to achieve the following objectives:</p> <ul style="list-style-type: none"> • compliance with statutory obligations including safety, environment, regulation and Energex's Distribution Authority, policies and standards; • business outcomes achieved and customer and stakeholder expectations met including acceptable levels of network reliability; • investment principles and optimised asset investment plans that balance network risk, cost and performance outcomes; • a focus on asset life cycle management including asset data and information and communication technology initiatives; • modernisation of the network to meet required business and customer outcomes; and • further development of Energex's asset management system.

Issue for consultation	Energex response
	<p>It should be noted that in developing optimal asset replacement strategies, the possibility of retiring assets which are at end of life and not replacing them is routinely considered as one of the potential planning options which is risk assessed.</p> <p>The network risks being managed as part of Energex’s strategy are assessed in accordance with the network risk framework.</p> <p>Energex determines asset replacement options using three core maintenance methodologies: Predictive, Preventive, and Reactive. These core methodologies are applied either independently or in combination for a given asset class depending on the nature of the equipment and its failure mode and is optimised using a risk based approach to deliver the lowest whole of life cost.</p> <p>Implementation of Energex’s asset replacement strategy is achieved through programs developed by analysing requirements at a level of detail appropriate for the level of investment and risk associated with the asset class. Energex considers the following replacement options used either exclusively or in combination to achieve its objectives: replace on condition; bulk replacement; refurbishment of equipment; retrofitting of equipment; and replace on failure.</p> <p>Energex uses Condition Based Risk Management (CBRM) as the assessment tool to determine a replacement option. CBRM provides a structured process that combines asset information, engineering knowledge and practical experience to define the current and future condition, performance and risk for network assets. The process has been progressively applied for those asset classes where sufficient information is available to produce a health index, probability of failure and value of risk for an individual asset. Detailed programs are developed for key asset classes as follows:</p> <ul style="list-style-type: none"> • Bulk and zone substation transformers (power and station); • Bulk and zone substation circuit breakers (both indoor and outdoor); • Bulk and zone substation infrastructure; • 132 kV and 110 kV overhead lines; • 110 kV underground cables; • 33 kV overhead lines and underground cables;

Issue for consultation	Energex response
	<ul style="list-style-type: none"> • Distribution overhead (11 kV and low voltage including conductors, switches, reclosers, sectionalisers and regulators); • Distribution underground (11 kV and low voltage); and • Distribution substations (11 kV transformers, ring main units and low voltage boards). <p>In order to address the forecast network limitations and ensure ongoing safe and reliable operation of the network, network augmentation and replacement projects are identified in the network development plan. With a typical outlook of ten years, this information informs regulatory processes through joint planning, the DAPR, the revenue submission and regulatory information notices. This information also informs financial forecasting, easement and future substation acquisition activities.</p> <p>Based on the network requirement dates and/or the target completion dates, each capital project is brought into the program of work and then investigated in detail for the preparation of comprehensive business cases, regulatory documents and project approval reports in accordance with the NER and Energex standard practices, procedures and policies. This process ensures the current and future adequacy of the Energex transmission, sub-transmission and distribution networks and informs regulatory processes through the RIT-D, joint planning and demand side engagement activities.</p> <p>The planning process involves the following major steps in a typical routine planning cycle:</p> <ul style="list-style-type: none"> • Validate load forecasts; • Evaluate the capability of the existing system; • Identify network risks/limitations in the system; • Formulate network options to address these risks/limitations and identify any feasible non-network solutions from prospective proponents; • Compare options on the basis of technical and economic considerations; • Select preferred development option;

Issue for consultation	Energex response
	<ul style="list-style-type: none"> • Undertake public consultation for the projects, and carry out detailed evaluation upon receipt of any alternative solutions from the registered participants/ proponents; and • Initiate action to implement the preferred scheme through formal project approvals. <p>Project planning and approvals for augmentation projects are currently carried out in accordance with the RIT-D that came into effect from 1 January 2014.</p> <p>With respect to non-network solutions, Energex reviews all significant augmentation, refurbishment and replacement projects to determine if there are any viable non-network alternatives to the preferred network options. Non-network assessments examine the economics of viable non-network solutions compared to the preferred network investment option. Non-network solutions considered include a range of residential, commercial and industrial options covering permanent load reductions (such as energy efficiency improvements), embedded generation and demand response. During 2015/16 twelve capital projects were assessed, with one network option being identified as a credible alternative to an augmentation project. No non-network options were identified for replacement projects.</p> <p>Energex considers that information published in the DAPR provides considerable transparency around its planning framework, asset replacement decision-making processes and future projects which may be of interest to non-network service providers.</p> <p>In addition to existing planning and investment framework requirements, extensive information is provided to the AER during the distribution determination process for assessment. This information covers Energex's approach to network asset management, including the asset management framework, asset replacement strategy and detailed business cases for specific programs. Other mechanisms, such as the AER's incentive regulation framework schemes, are also intended to incentivise NSPs to make efficient investment decisions. Energex therefore considers that there are already wide-ranging mechanisms in place to achieve the AER's objectives.</p>

3.2 Annual planning reporting requirements on replacement expenditure

Issue for consultation	Energex response
<p>Question 4</p> <p>To what extent would the proposed information to be reported in the APRs be useful for energy market stakeholders, including non-network service providers, network service providers, connection applicants and the AER, and why?</p>	<p>Bearing in mind the responses provided above, Energex considers that reporting on distribution network replacement projects is likely to be of limited value to non-network service providers, i.e. the information will only be of value where a non-network solution can provide a commercially and technically viable alternative to replacement of an existing distribution asset.</p> <p>The AER is also unlikely to benefit significantly as extensive information on Energex’s asset management framework, asset replacement strategy, forecast replacement expenditure and business cases for specific projects is already provided during the determination process.</p>
<p>Question 5</p> <p>a) Is it appropriate that the scope of the new reporting requirements include planned asset de-ratings as well as planned retirements?</p> <p>b) To what extent does this add to the administrative burden for NSPs?</p>	<p>Reporting requirements would not be appropriate for planned asset de-ratings but may be appropriate for a project that has been driven by a past de-rating. Ratings changes are an on-going operational function of an NSP. They can occur for a number of reasons other than condition and do not always lead to network system limitations within the current planning horizon.</p> <p>Equipment ratings, including de-ratings, are updated on an annual basis in the DAPR.</p> <p>In Energex’s view, the administrative burden of any additional reporting on de-ratings would outweigh the potential benefit.</p>
<p>Question 6</p> <p>a) Should all assets be reported on by NSPs in their annual planning report or are only certain asset types relevant?</p> <p>b) What types of asset should be subject to reporting requirements by NSPs and what should not?</p>	<p>Any proposed annual reporting requirement should be limited to low volume, high cost assets (such as power transformers and sub-transmission feeders) that have the greatest potential for being replaced by a non-network alternative (such as distributed generation and energy storage). Reporting on assets for which there is no commercially and technically viable non-network alternative would only increase the administrative burden on NSPs without providing any additional benefit to energy market stakeholders.</p>

Issue for consultation	Energex response
<p>Question 7</p> <p>a) Is the proposed AER network retirement reporting guideline the appropriate means of requiring NSPs to report on certain asset types and not others or would an alternative mechanism be more appropriate?</p> <p>b) If an AER guideline is appropriate, what should it contain and how should the AER be guided in its development?</p> <p>c) In addition, what would be the appropriate process be to make and review an AER guideline?</p>	<p>If it is determined that annual reporting obligations should be placed on NSPs, Energex considers that the AER network retirement reporting guideline would be an appropriate mechanism in which to detail specific reporting requirements. However, it is essential that the AER is guided by an appropriate set of principles and required to consult extensively with NSPs and other energy market stakeholders on the development of the guideline to ensure that reporting requirements are relevant and useful, that there is no duplication and that the administrative burden on NSPs is minimised.</p> <p>As the proposed reporting requirements will only apply to certain asset types for which there are likely to be alternatives to like-for-like replacement, it will be essential that the AER provides a clear definition of “like-for-like replacement” in the guideline. For example, it should be made clear that the replacement of an existing asset with a modern engineering equivalent replacement asset (which may be of a higher standard or capacity) falls within the definition of “like-for-like replacement”.</p> <p>Further, Energex does not consider that it is appropriate for distribution network assets that are to be retired as part of an asset replacement program to be included in the annual report. Asset replacement “programs” typically involve high volume, low value assets that are geographically dispersed and replaced over a period of time. Energex therefore recommends that only network assets that are being replaced as part of a specific replacement “project” should be considered for inclusion.</p>
<p>Question 8</p> <p>a) Should the AER guideline also set out principles and a broad approach that NSPs must follow in deciding whether to plan to retire assets?</p> <p>b) What should these principles and the broad approach be?</p>	<p>Energex does not consider that it is appropriate for the AER to provide guidance on asset retirement. It is appropriate for NSPs to continue to manage this process as part of their asset life-cycle management process in alignment with ISO 55000 International Standards for Asset Management requirements.</p> <p>The diversity of different types of distribution assets across the national electricity market and vast variations in environmental / climatic conditions under which they operate suggests that DNSPs are best placed to develop asset retirement policies suited to their local situation.</p>

Issue for consultation	Energex response
<p>Question 9</p> <p>Compared to the current arrangements, how much additional reporting by NSPs would be required under the AER's proposal? What would be the impact on NSPs?</p>	<p>It will not be possible to determine the extent of additional reporting requirements and the impact on NSPs until the AER's guideline has been developed and asset types to be reported on are known. However, as already noted, any additional reporting requirements should only be imposed where it can be demonstrated that the benefits will outweigh the costs of compliance.</p>

3.3 Application of regulatory investment tests to replacement expenditure

Issue for consultation	Energex response
<p>Question 10</p> <p>Will extending the regulatory investment tests to replacement capital expenditure benefit energy market stakeholders, including non-network service providers, network service providers and the AER, and why?</p>	<p>There may be benefit in applying the regulatory investment test in situations where it has been determined that there are commercially and technically viable alternatives to like-for-like replacement. However, as noted previously in this submission, Energex considers that potential for commercially and technically viable solutions for like-for-like replacement of distribution assets is limited.</p>
<p>Question 11</p> <p>Should the regulatory investment tests also apply to maintenance and refurbishment expenditure or should these categories of expenditure continue to be exempt from the tests?</p>	<p>It is important that maintenance and refurbishment expenditure is treated separately. Maintenance programs are an on-going operational expenditure required to achieve expected asset life as well as to mitigate legislative, compliance and safety risks. Maintenance programs are determined as part of an asset life-cycle management plan in accordance with ISO 55000 International Standards for Asset Management requirements.</p> <p>It is acknowledged, however, that regulatory investment tests may be applicable for refurbishment projects that exceed the specified cost threshold (where commercially and technically viable options are a potential alternative to like-for-like replacement).</p>

Issue for consultation	Energex response
<p>Question 12</p> <p>Should the cost thresholds for asset replacement projects be the same as cost thresholds for network augmentation projects?</p>	<p>If it is determined that the regulatory investment test should be applied to asset replacement projects, Energex would support having the same cost threshold as for augmentation projects, i.e. \$5 million. Having different thresholds would drive an additional level of complexity and ambiguity. However, as per current arrangements for network augmentation projects, the cost threshold for asset replacement projects should be subject to a review by the AER every three years.</p>
<p>Question 13</p> <p>Is it appropriate for a regulatory investment test to not be required where an NSP considers a like-for-like replacement of the asset is the only option to address the problem?</p>	<p>In order to avoid unnecessary administrative burden and wasted resources, Energex does not consider that it is appropriate for a regulatory investment test to be required where it is considered that like-for-like replacement is the only commercially and technically viable option.</p> <p>However, as noted above, to assist NSPs in making an assessment and to minimise the potential for interpretational disputes, it is essential that the term “like-for-like replacement” is clearly defined in the application guideline. In particular, it should be made clear that the replacement of an existing asset with a modern engineering equivalent replacement asset (which may be of a higher standard or capacity) falls within the definition of “like-for-like replacement”.</p> <p>Further, Energex does not consider that it is appropriate for distribution network assets that are to be replaced as part of an asset replacement program to be subject to the regulatory investment test. Asset replacement “programs” typically involve high volume, low value assets that are geographically dispersed and replaced over a period of time. Energex therefore recommends that only network assets that are being replaced as part of a specific replacement “project” should be considered for inclusion.</p>

Issue for consultation	Energex response
<p>Question 14</p> <p>a) Is the proposed requirement for NSPs to publish an exemption report where there is no alternative to like-for-like replacement appropriate?</p> <p>b) Do the benefits of this mechanism outweigh the administrative costs that it may impose?</p> <p>c) Is there an alternative mechanism which would be more appropriate?</p>	<p>Energex queries why the requirement for replacement projects should differ from the existing requirement for augmentation projects. Under current arrangements DNSPs must publish a notice under cl. 5.17.4(d) of the NER as soon as possible after making a determination on reasonable grounds that there will not be a credible non-network option. In Energex’s view, the processes for augmentation and replacement projects should be consistent. Before imposing this additional administrative obligation on NSPs, it is important that the purpose of the report is well-defined and that its publication will be of value to energy market stakeholders.</p>
<p>Question 15</p> <p>a) What information should NSPs be required to provide in an exemption report?</p> <p>b) Is it appropriate that an NSP has to provide a summary of an exemption report to AEMO within five business days and to interested parties, on request, within three business days?</p> <p>c) Do stakeholders agree that AEMO must publish the exemption report on its website within three business days?</p>	<p>If it is determined that NSPs must publish an exemption report, in Energex’s view the amount of information provided in this report should be limited to minimise administrative burden.</p> <p>If an exemption report is required, Energex considers that there is no reason why an additional summary report should be required to be provided to AEMO and interested parties. Requiring a separate summary of the exemption report would impose an additional administrative burden on NSPs which, in Energex’s view, would be unnecessary.</p> <p>Energex does not have any concerns with respect to the proposed timeframes.</p>

Issue for consultation	Energex response
<p>Question 16</p> <p>a) Is it appropriate that parties can raise a formal dispute with the AER on the conclusions of an exemption report published by an NSP?</p> <p>b) Is 30 business days, as proposed, the appropriate timeframe for allowing interested parties to raise a dispute with the AER?</p> <p>c) Is 31 business days after publication of an exemption report the appropriate timeframe for an NSP to wait to undertake a like-for-like replacement where no dispute is raised?</p> <p>d) If an exemption report is determined by the AER to be non-compliant, should the NER explicitly exclude an NSP from being relying on the report to carry out a like-for-like replacement?</p>	<p>Energex queries why the existing formal dispute process for augmentation projects under cl. 5.17.5 of the NER should not be extended to replacement projects. Under current arrangements, parties may dispute conclusions made by the RIT-D proponent in the final project assessment report, either where it is contended that the RIT-D has not been applied in accordance with the NER or there was a manifest error in calculations. As noted above, Energex considers that the processes for both augmentation and replacement projects should be consistent.</p> <p>If it is determined that interested parties should have the ability to dispute an NSP's determination that there are no potential non-network solutions for replacement projects, the grounds on which a formal dispute can be lodged should be limited and clearly defined in the AER's application guideline so as to avoid frivolous and unfounded disputes (and minimise the administrative burden for both the NSP and the AER). A requirement should also be placed on the party challenging the NSP's conclusions to provide detailed calculations supporting their claim when lodging the dispute.</p> <p>If the dispute process is extended to allow interested parties to challenge an NSP's network replacement decisions, Energex does not have any concerns with respect to the timeframes proposed in b) and c).</p> <p>As per current arrangements, it is appropriate for the AER to provide direction where it considers that the regulatory investment test proponent has not been compliant with the NER.</p>

3.4 Issues specific to Victoria

Issue for consultation	Energex response
<p>Question 17</p> <p>a) Would AEMO or AusNet Services be the most appropriate body to report on the proposed additional annual reporting requirements at the transmission level in Victoria and why?</p> <p>b) Would AEMO or AusNet Services be the most appropriate body to apply the RIT-T for replacement expenditure in Victoria and why?</p>	<p>No comment.</p>

3.5 Other NER changes proposed by the AER

Issue for consultation	Energex response
<p>Question 18</p> <p>a) Are the additional changes proposed by the AER appropriate and useful to stakeholders?</p> <p>b) What compliance burden would arise for NSPs?</p> <p>c) As these requirements currently apply in a limited way in the NER, how useful have they been to date?</p>	<p>Energex engages with a range of major customers in relation to any network limitations which may have an impact. Similarly, Energex fulfils its NER obligations in relation to the publication of network limitations data within its DAPR each year and for joint planning by engaging with Powerlink on a regular basis. Energex does not envisage that this change would impose a significant additional compliance burden on DNSPs, although the amount of additional workload involved will ultimately depend on the extent of the NER requirement.</p>

3.6 Transitional arrangements

Issue for consultation	Energex response
<p>Question 19</p> <p>What transitional arrangements should be put in place to allow NSPs and the AER to be able to comply with the proposed rule if it were to be made?</p>	<p>Sufficient time will be required for the AER to develop and publish the proposed network retirement reporting guideline and make necessary amendments to the regulatory investment tests and application guidelines. Sufficient additional time following development and publication of these documents will also be required for NSPs to implement new processes to enable compliance.</p> <p>Provision should also be made for any replacement projects that are already in progress prior to the commencement date to be excluded from the requirement to apply the regulatory investment test.</p>