



13 March 2012

Mr Rory Campbell
Senior Director Technical and Reliability Group
Australian Energy Market Commission
PO Box A2449
Sydney South, NSW 1235

Project number: ERC0129

Dear Rory,

**RE: DISTRIBUTION NETWORK PLANNING AND EXPANSION
FRAMEWORK**

CitiPower and Powercor Australia, United Energy, SP AusNet and Jemena Electricity Networks (the Victorian DNSPs) refer to the meeting held by the Australian Energy Market Commission (the Commission) on 23 February 2012 in Sydney. The Victorian DNSPs appreciate the opportunity to make this supplementary submission with respect to proposed transitional arrangements for the distribution network planning and expansion framework.

In the meeting of 23 February 2012, the Commission sought further submissions on a practicable way to determine which projects will be subject to the proposed RIT-D process. The Commission noted that any such methodology would need to be verifiable and objective, and general enough for national application.

RIT-D process

The Victorian DNSPs are supportive of the RIT-D process and note that the RIT-D will only apply to:

1. Projects where the “most expensive option” is above a particular cost threshold; and
2. Projects which are not considered “urgent and unforeseen”.

The Victorian DNSPs reiterate previous submissions that the proposed cost threshold of “most expensive” technically and economically feasible option is unworkable and does not serve to effectively or meaningfully limit the projects which will be subject to the RIT-D. Discussion at the meeting focused on preferences for “preferred option” and “credible option”, and the Victorian DNSPs reiterate that the key issue with the Commission’s proposal is review of the “most expensive” option.

The more appropriate and workable approach is to adopt a test reviewing the least expensive option. The Victorian DNSPs are happy to apply a “least expensive” test to all “credible options”, which is currently defined under clause 5.6.5D(a) of the National Electricity Rules (NER). The Victorian DNSPs do not consider that the most expensive credible option is any more workable than the AEMC’s current proposal.

In addition, the Victorian DNSPs disagree with the proposed approach to exempt urgent and unforeseen projects, which are defined as projects which must be operational within six months of the DNSP identifying the need. The Victorian DNSPs are concerned that no projects would realistically satisfy the threshold requirement to be operational within six months and propose that the threshold for exemption be extended to projects that are required to be operational within twelve months.

RIT-D transitional arrangement

The Victorian DNSPs acknowledge the difficulties in devising an objective and verifiable test to determine which projects will be subject to the RIT-D upon enactment of the new framework. The Victorian DNSPs propose that for projects which meet the Commission’s final cost threshold and are not an urgent or unforeseen project, a transitional exemption from the new planning framework be applied to the following projects:

- Projects which have completed the Regulatory Test under clause 5.6.5A of the NER; or
- Projects which have begun the Regulatory Test under clause 5.6.5A of the NER and are due to complete the Regulatory Test within twelve months of the commencement of the RIT-D.

The Victorian DNSPs consider the proposed approach is verifiable and objective, and will minimise unnecessary duplication of cost-benefit analyses on projects already being considered. The proposed approach is also able to have general application across jurisdictions and the Victorian DNSPs believe it will ensure a timely transition to the new planning framework proposed by the Commission.

If you have any questions, please contact Vivienne Pham on (03) 9683 2023 or by email at vpham@powercor.com.au.

Yours sincerely,



Brent Cleeve
Manager Regulation, CitiPower and Powercor Australia
on behalf of the Victorian Electricity Distribution Businesses