



Australian Energy Market Commission

FINAL DECISION

Review of the last resort planning power guidelines

24 September 2015

GUIDELINES

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About the AEMC

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

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Review of the last resort planning power guidelines: Final decision

Background

The last resort planning power (LRPP) is provided for in clause 5.22 of the National Electricity Rules (the NER). It confers on the Australian Energy Market Commission (AEMC) the power to direct one or more Registered Participants to apply the regulatory investment test for transmission to transmission projects that are likely to relieve a forecast constraint on national transmission flow paths between regional reference nodes. The purpose of the power is to ensure timely and efficient inter-regional transmission investment for the long term interests of consumers of electricity when other mechanisms to provide for this investment appear to have failed. To date, the AEMC has not exercised this power.

To support the AEMC's last resort planning power role, clause 5.22(n) of the NER requires the AEMC to develop and publish the last resort planning guidelines (the guidelines). In general the purpose of the guidelines is to provide information about the AEMC's approach to exercising the LRPP, and establish the frameworks for information gathering and public communication to be followed by the AEMC. Clause 5.22(q) of the NER allows the AEMC to amend or replace the last resort planning power guidelines from time to time in accordance with the transmission consultation procedures.

Consultation undertaken on proposed amendments to the last resort planning power guidelines

On 23 July 2015, the AEMC commenced consultation on proposed amendments to the guidelines. The AEMC had previously noted its intention to amend the guidelines in the 2014 LRPP review.¹ In addition, the guidelines were due to be reviewed as the last review was undertaken in 2010.²

Two sets of changes to the guidelines were proposed.

First, the AEMC proposed that a description of a three stage process it follows when deciding whether to exercise the last resort planning power be incorporated into the guidelines to provide more transparency and certainty for stakeholders. It was noted that this process has been followed by the AEMC in LRPP reviews since 2010.

Second, a number of "housekeeping" amendments to the guidelines was proposed. These included streamlining the guidelines and updating a number of out of date cross references to the NER. The out of date cross references were as a result of the

¹ AEMC, *Last resort planning power – 2014 review*, 6 November 2014, p8.

² In clause 10 of the guidelines subject to this review, the AEMC states that it anticipates that it will review the guidelines at least every five years.

renumbering of provisions in Chapter 5 of the NER as part of the distribution network planning and expansion framework rule which commenced on 1 January 2013.³

The AEMC also identified some drafting anomalies in the NER relating to the LRPP, in particular the definition of a 'potential transmission project'. It proposed to deal with these anomalies through a minor rule change process later in the year.

Stakeholder views

Stakeholders were invited to make submissions on the amended guidelines by 3 September 2015. One submission was received from GDF Suez.

GDF Suez proposes the AEMC provide some further clarity in the guidelines on how the AEMC would assess whether a network service provider's examination of an inter-regional constraint was "adequate" as part of the first stage of the three stage process for determining whether to exercise the LRPP. It considers that this change would assist NSPs in ensuring that their annual planning reports include sufficient detail to meet the AEMC's adequacy test.⁴

Final decision

The AEMC has made a final decision to amend the guidelines as proposed and for the reasons articulated in the explanatory statement to the proposed amendments. In addition, a minor edit has been made to clause 4.2 of the proposed amended guidelines to make this consistent with clause 4.3.

In response to the issue raised by GDF Suez, the way a TNSP examines a constraint will vary according to the characteristics of the constraint. Therefore, it is not appropriate to provide any further detail in the guidelines as to how the AEMC would assess a network service provider's examination of an inter-regional constraint in the first stage of the LRPP process. The AEMC also notes that Clause 4.2 of the guidelines sets out the information the AEMC will consider when determining whether a constraint has been adequately examined.

The amended guidelines will take effect on 24 September 2015. This means that the AEMC will act in accordance with the amended guidelines when deciding whether to exercise the last resort planning power in 2015.

The AEMC proposes to initiate a minor rule change to consult on resolving the drafting anomalies in the NER it identified relating to the LRPP. There were no objections from stakeholders relating to this matter.

³ AEMC, *Distribution network planning and expansion framework*, Rule determination, 11 October 2012.

⁴ GDF Suez's submission to proposed amended guidelines, 3 September 2015, p1.