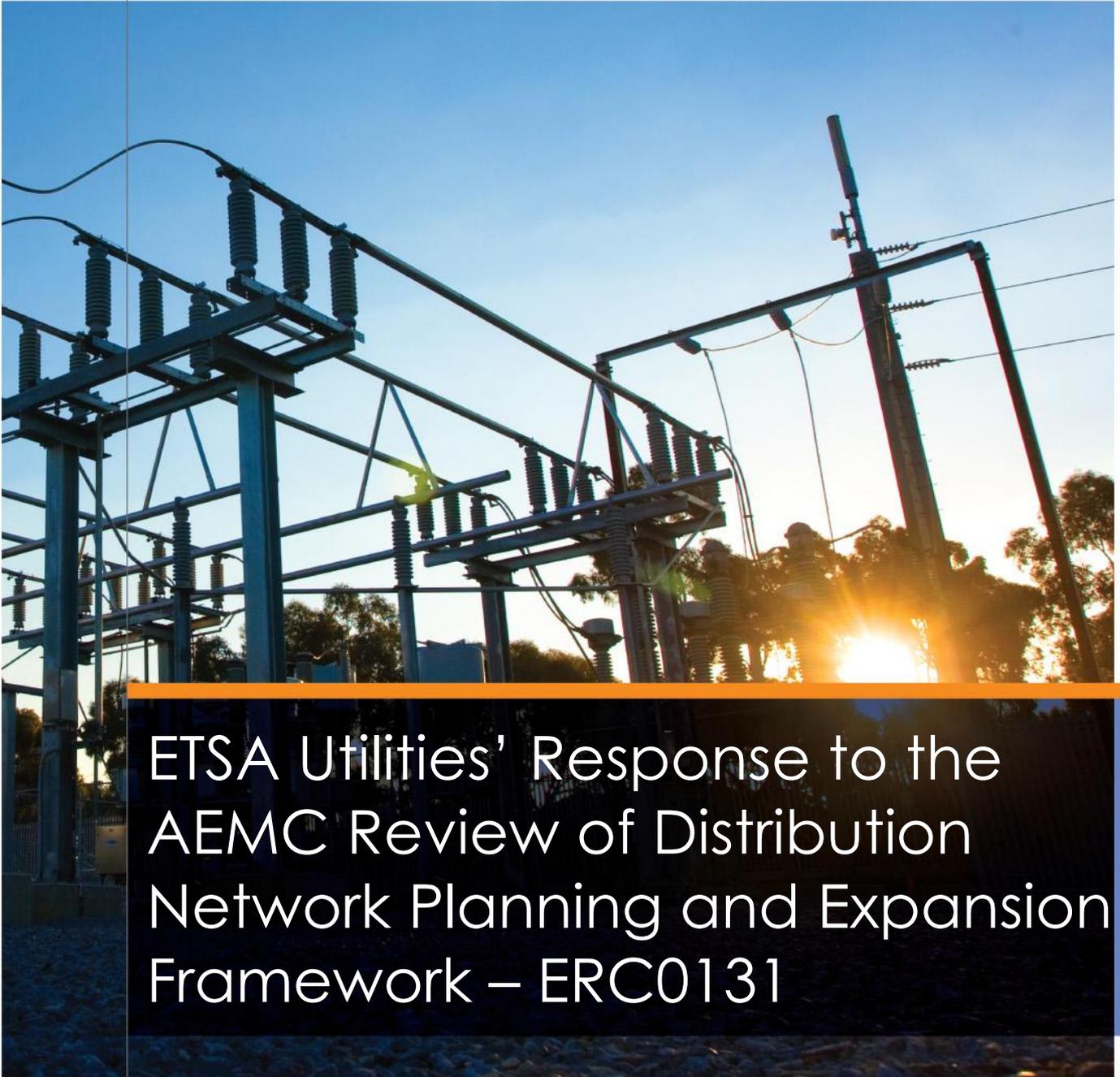


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ETSA Utilities' Response to the AEMC Review of Distribution Network Planning and Expansion Framework – ERC0131

**ETSA UTILITIES' RESPONSE TO THE AEMC REVIEW OF DISTRIBUTION NETWORK
PLANNING AND EXPANSION FRAMEWORK - ERC0131**

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INTRODUCTION

ETSA Utilities is pleased to respond to the Australian Energy Market Commission's (AEMC) Consultation Paper on the Rule change for a National Framework for Electricity Distribution Network Planning and Expansion Framework – Reference Code: ERC0131.

ETSA Utilities supports the submission made by the Energy Networks Association (ENA) however, there are some areas where ETSA Utilities wishes to make some additional comments or stress those areas of the ENA's submission which ETSA Utilities believe are crucial in ensuring the proposed framework and associated Rule change are workable in practice.

Any queries regarding this submission should be directed to Grant Cox, Manager Regulatory Affairs on (08) 8404 5012 or cox.grant@etsa.com.au.

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1 ANNUAL PLANNING PROCESS

1. What are the implications of allowing each jurisdiction to determine the start date for the annual planning period?
2. Is it necessary to include a default start date for the annual planning period in the Rules?

ETSA Utilities agrees with the ENA's submission in its support of the proposal to enable DNSPs within each jurisdiction to determine the start date for the annual planning period. This support is based on different jurisdictions having different conditions and local jurisdictional obligations for which a fixed start date across the NEM may cause conflicts.

2 DEMAND SIDE ENGAGEMENT STRATEGY

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. To what extent would DNSPs incur additional costs in developing and maintaining the various components of the proposed Demand Side Engagement Strategy?

In addition to the ENA's response, ETSA Utilities wishes to query the proposed alteration of the term "*publish*". At present, this term is defined as,

"A document is published by the AER if it is:

- (a) published on the AER's website; and
- (b) made available for public inspection at the AER's public offices; and
- (c) in the case of a document inviting submissions from members of the public – published in a newspaper circulating generally throughout Australia.

A document is published by someone else if it is made available to *Registered Participants* electronically."

The rule change proposes to alter this definition to,

"A document is published by the AER if it is:

- (a) published on the AER's website; and
- (b) made available for public inspection at the AER's public offices; and
- (c) in the case of a document inviting submissions from members of the public – published in a newspaper circulating generally throughout Australia.

In clause 5.6, a document is published by a Distribution Network Service Provider if it is:

- (a) Published on the *Distribution Network Service Provider's* website; and
- (b) Made available for public inspection at the *Distribution Network Service Provider's* public offices.

Otherwise, a document is published by someone else if it is made available to *Registered Participants* electronically."

ETSA Utilities questions the need for the existing definition to be amended, particularly as a similar obligation to make similar documents available for public inspection has not been applied to Transmission Network Service Providers. ETSA Utilities has no objection to making

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such documents available on its website, however, the need to make such documents available for public inspection is in ETSA Utilities' view unnecessary as such public access facilities do not presently exist.

ETSA Utilities would also submit that DNSPs should only be required to notify those parties who register with the DNSP through the Demand Side Engagement Register (DSER) together with the AER and AEMO upon publication of the relevant documents. The list of Registered Participants, Connection Applicants, Intending Participants etc. is constantly changing and too exhaustive. The burden of trying to maintain a list of these parties other than those registered with the DNSP within the DSER is cost prohibitive and inefficient. The wording also is so inclusive that DNSPs could be challenged for not notifying a particular party or similarly criticised for sending notifications to some parties who are not interested in receiving them.

3 DISTRIBUTION ANNUAL PLANNING REPORT

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?
2. Do you consider the proposed process for applying for and granting an exemption or variation to the annual reporting requirements is appropriate?
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?
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?
5. Do DNSPs face sufficient business and regulatory drivers to ensure that they carry out appropriate planning and procedure accurate forecasts in their DAPRs?
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?

ETSA Utilities supports the submission made by the ENA with respect to the consultation relating to the Distribution Annual Planning Report.

4 JOINT PLANNING REQUIREMENTS

1. Do you consider the proposed Rule is appropriate and sufficient in clarifying the arrangements for joint planning between DNSPs and TNSPs?
2. In what circumstances would DNSPs be required to undertake joint planning with other DNSPs?
3. Do you consider the proposed Rule is appropriate and sufficient in clarifying the arrangements for joint planning between DNSPs?

ETSA Utilities supports the submission made by the ENA with respect to the consultation relating to the Joint Planning Requirements. ETSA Utilities is particularly interested in the AEMC's responses to the questions posed by the ENA's response with regard to whether DNSPs will be required to develop systems to enable it to perform both RIT-D and RIT-T tests to assess distribution constraints which are proposed to be addressed by a transmission solution.

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It is ETSA Utilities' belief that further clarity is required within the draft rule as to when each test (ie RIT-D or RIT-T) needs to be performed and by which party (ie DNSP or TNSP).

5 RIT-D

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?
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?
3. Should the AER be required to publish a separate annual report detailing the results of any audit undertaken in the proceeding 12 months?

While ETSA Utilities supports the ENA's submission in this area, ETSA Utilities would like to re-iterate those areas of the RIT-D proposal which it considers to be of the greatest material impact to DNSPs.

Clause 5.6.5CB(a)(2)

Clause 5.6.5CB(2) states that the RIT-D is not required where the cost of the "most expensive option" is less than \$5 million. ETSA Utilities would argue that this should be changed to "the estimated capital cost of the *preferred network option* to address the relevant *identified* need which is technically and economically feasible is less than \$5 million" based on the fact that the intent of the RIT-D is to identify the least cost solution to resolve the constraint with the highest market benefit. For almost all constraints within the DNSP's network, a technically feasible solution costing in excess of \$5 million could be found, thereby requiring the RIT-D to be applied to even the most trivial of constraints. This would place an unrealistically high resource and subsequent cost burden on DNSPs which would ultimately be borne by electricity consumers, contrary to the NEO.

Clause 5.6.5CB(a)(6)

Clause 5.6.5CB(a)(6) specifies that the RIT-D need not be performed where "the proposed *distribution investment* will be a *connection asset*, which will not be part of the *Distribution Network Service Provider's* shared *distribution network*". Unlike Clause 5.6.5CB(a)(8) which places the \$5 million threshold on the *augmentation* component of any replacement project, this clause appears to have no such waiver. This could be taken to suggest that where any portion of the DNSP's shared network is upgraded to facilitate a new connection, a RIT-D must be performed. It is suggested that as a minimum, a similar clause to that of 5.6.5CB(a)(8) be included relating to augmentations of the network to facilitate new customer connections (i.e. "...and the estimated capital cost for the augmentation component of the shared network is less than \$5 million..."). Alternatively, ETSA Utilities seeks confirmation that clause 5.6.5CB(a)(2) applies to all projects irrespective of whether the project is customer initiated or not.

It is ETSA Utilities contention however, that as it is written, clause 5.6.5CB(a)(6) has the potential for larger customer connection works, to lead to inefficient development of the network in order to meet the timeframes required by larger customers proposing to connect to the network. Given the proposed timeframes associated with the performance of the RIT-D and the time taken to implement a non-network solution (if shown to be technically and financially viable), it is possible that in order to meet customer's timeframes for supply, DNSPs will propose solutions for larger customers which

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will see the construction of dedicated assets rather than augmentation of the existing shared network (where said augmentation costs are estimated to be greater than a \$5 million threshold) in order to meet the customer's load requirements and connection deadlines. It is ETSA Utilities' contention therefore, that new investments in the network associated with customer connections, should be exempted from the need to be subjected to the RIT-D process. Often for such works, the customer pays a significant contribution to the costs associated with the augmentation of the network. ETSA Utilities believes this is consistent with the approach suggested within Section 3.2.1 paragraph 3 of the consultation document which states,

"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".

It is ETSA Utilities experience that non-network proposals take a significant period of time to evaluate and implement. Paying customers wishing to connect to the network should not have to endure such delays in order for DNSPs to satisfy their regulatory obligations.

Clause 5.6.5CB(c)(1)

Clause 5.6.5CB(c)(1) specifies that in order for a *distribution investment* to be classified as urgent or unforeseen and therefore exempt from the need for a RIT-D, that the proposed *investment* be operational within 6 months. ETSA Utilities suggests this timeframe is too short and does not take into consideration the lead times associated with some items of equipment or the time taken to perform design and construction.

Given the time to perform the RIT-D process and subsequent commercial negotiations and technical feasibility evaluation (e.g. dynamic and steady state studies) associated with a non-network provider's proposal, the likely implementation of a non-network solution will be closer to 24 months than 6 months. Similarly, it is ETSA Utilities belief that even if a non-network solution were shown not to be viable using the RIT-D process, the RIT-D process in of itself is likely to take longer than 6 months taking into account the DNSP's time to prepare the various documents and analyse the options over and above the initial four month consultation period and subsequent 6 week consultation period following publication of the Draft Project Assessment Report. It is ETSA Utilities' belief that the timeframe specified within this clause should therefore be changed from 6 months to at least 12 months.

Duty of Care Projects

Within clause 5.6.5CB – "Investments subject to the regulatory test for distribution", there is no exemption to perform the RIT-D test for projects whose principal driver for implementation is to address either a safety related issue (eg. fault level reduction), environmental threat (eg. oil containment) or statutory requirement (eg line clearances). Where such projects exist, no non-network solution will exist to eliminate these risks and absolve DNSPs of their general duty of care to their staff or the public or in general their statutory requirements. Therefore, ETSA Utilities submits that these projects should be exempted from the RIT-D process.

Specification Threshold Test

Clarification is sought on the purpose of the Specification Threshold Test (STT). Clause 5.6.6AB(e) only refers to an assessment of the "technical feasibility" of a non-network solution to defer or remove the need for a proposed distribution investment. Given that the STT makes no reference to making a preliminary assessment of the financial viability of a non-network solution, it could be argued that a non-network solution can always be

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technically viable and therefore, all projects will pass the STT and therefore require completion of the full RIT-D process.

It was ETSA Utilities' perception that the intent of the STT was to act as an initial screening test, thereby enabling DNSPs to avoid the need to perform the full RIT-D process for every project and avoid excessive increases in workload and costs associated with performing the RIT-D for those projects where past experience and historic costs would suggest that a non-network solution was unlikely to be financially viable. ETSA Utilities would therefore suggest that the words "technically feasible" should be changed to "credible option" to take consideration of the technical and economic feasibility of the option as well as the timeliness of its implementation.

As the draft rule is presently written, it is also unclear as to why the STT need to be performed at all for projects in excess of \$10 million since these projects presently require the publication of both a Draft Project Assessment Report and a Final Project Assessment Report. Alternatively, should these documents be produced, it is unclear what further details these additional reports will provide over and above the initial STT Report's findings.

In order to clarify the intent and intended operation of the STT and the broader RIT-D process, ETSA Utilities would suggest that a round table forum should be conducted between the AEMC, AER and DNSPs to discuss the working of this proposed regime prior to any rule being implemented.

6 DISPUTE RESOLUTION PROCESS

1. Do you consider the proposed scope of parties who could raise a dispute to be appropriate?
2. What are the implications (positive and negative) of allowing the AER to grant exemptions from the proposed dispute resolution process?
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?

ETSA Utilities supports the submission made by the ENA with respect to the consultation relating to the Dispute Resolution Process.