

SUBMISSION

AEMC TRANSMISSION PLANNING & INVESTMENT REVIEW
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AEMC EPR0087 Transmission Planning and Investment Review – Consultation Paper

Submission on Chapters 1-4

Introduction

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Critically, our members are highly exposed to movements in both gas and electricity prices and have been under increasing financial stress due to escalating energy costs. These increased costs are either absorbed by the business, making it more difficult to maintain existing levels of employment or passed through to consumers in the form of increases in the prices paid for many everyday items.

The EUAA recognise the transition to a net zero energy system is inevitable. Therefore, the focus of our advocacy on behalf of energy users is not on the what (a net zero target) but on how we get there in the most efficient and least cost way. As the transition to net zero essentially requires a re-wiring of the grid the EUAA welcomes this very timely review.

Electricity consumers are being asked to support large expenditures for transmission augmentation to facilitate the transition away from reliance on thermal generation. Again, our members support that transition. They also support the need for a fit for purpose regulatory framework that ensures there is neither over nor underinvestment in the transmission network and that it is built at just the right time, or as close to it as practical.

It must be remembered that under existing frameworks, consumers will be paying for these assets of the next 50-60 years. They need to have confidence that it will be an efficient investment and that has a high chance of delivering at least the net benefits promised at the time of the investment decision. Our members consider the current framework has generally served consumer interests well, although we believe that recent changes to reduce AER oversight have not been in consumer's interests. That's is why the EUAA has joined with other parties to propose the rule change discussed in Chapter 5 of the Consultation Paper.

Some stakeholders see the current framework as a barrier to facilitating the required network investment. We can understand why some stakeholders want to shorten assessment timeframes and reduce the complexity of the RiT-T framework as it will allow them to connect new generation quicker and not have to suffer the adverse consequences of their location decisions. This approach is often advocated under the banner of 'reducing uncertainty' or 'streamlining'. But then this approach is understandable when they do not have to pay for a majority of the transmission investment. They also seem to expect consumers to accept less due diligence and to pay to reduce generators' uncertainty, despite having no influence over it. This shifting of risk from market participants to customers is a disturbing trend. Perhaps if these stakeholders had to pay an equitable share of transmission costs they would have a different view of "streamlining" the assessment process.

Consumers are also very interested in reducing uncertainty. EUAA members see increasing uncertainty around the capital costs for large transmission projects. They see increasing uncertainty around whether these increased costs still mean that promised benefits will materialise and therefore if investments should be built. They see a push from others for consumers to accept very certain network costs in the near future with the promise of very uncertain benefits far into the future. They see increasing uncertainty around the potential for stranded assets in the future when technological change may mean the transmission augmentation is not utilised for its full technical asset life but they are left paying for it.

When looking at how the framework needs to adapt, we see one of the major challenges as rising costs driven by jurisdictional and community expectations around the ‘social licence’ to build the proposed network. The world we see now and unfolding into the future is a far cry from the situation when QNI and Basslink were the last large projects to be built almost 20 years ago.

This factor is illustrated in the recently released Humelink PACR. It examined 7 options which have biodiversity costs between 24-44% of total costs including 28% in the preferred Option 3C.

	1A	1B	1C	2B	2C	3B	3C
Lines and substations	1470	1990	1725	3150	2585	2560	2380
Biodiversity	1060	1320	1340	1150	815	1220	935
Total	2530	3310	3065	4300	3400	3780	3317
Biodiversity as % of total	42	40	44	27	24	32	28

The cost estimate is self-described by the project proponent as a Class 4. The project proponent did not specify if that was a Class 4 according to the AACE classification¹ (accuracy range from -15 to +50%) or the GHD classification developed for the AEMO ISP Transmission Cost Database² (accuracy range \pm 20%). So it would appear there is a long way to go before the project proponent is able to submit its Contingent Project Application (CPA) to the AER. We also see that the investment timetable for Humelink will be governed by the timetable for stakeholder engagement to obtain the social licence approval, not by any particular requirement of the RIT-T process. If a recent dispute raised with the AER on Humelink is an indicator, that timetable might be quite long³.

What is also clear from recent experience is that construction costs of very large transmission projects are well beyond what the industry believed them to be. In part driven by the issues raised above, but we would also suggest that the clamour to rapidly transition the energy system is starting to result in a “transmission cost boom” impact, similar to the mining boom of recent decades. The issue with a transmission cost boom is that these significantly increased costs will be locked into the energy bill for many decades to come.

We would suggest that with issues of such materiality and longevity now is not the time to weaken the regulatory approval process but to strengthen it to ensure consumers are protected from the unintended consequences of misplaced investment decisions of others. To do anything other than this would not be in the long-term interests of consumers.

¹ See p.3 https://web.aacei.org/docs/default-source/toc/toc_18r-97.pdf

² See p. 30 <https://aemo.com.au/-/media/files/major-publications/isp/2021/transmission-cost-database---ghd-report.pdf?la=en>

³ <https://www.aer.gov.au/communication/aer-extends-timeframe-for-making-a-decision-on-humelink-rit-t-dispute>

Summary of responses to questions

This submission concentrates on the issues raised and questions asked in Chapters 1, 3 and 4 of the Consultation Paper (the ‘Paper’). The table summarises the EUAA’s response to questions.

Question	Response
1. Assessment framework	We support the proposed evaluation framework
2. Ex ante framework	We have confidence that the existing ex ante framework, modified as appropriate e.g. with the EUAA’s proposed rule change on material costs, can remain ‘fit for purpose’. We do not support it being taken forward at all, let alone a priority.
3. Economic Assessment	We are always cautious of calls to ‘streamline’ a process when that is often code for a reducing its effectiveness because those advocating the streamlining seek to shift risk to others (in this case consumers). We strongly support the existing RiT-T framework and our rule change proposal is designed to strengthen its ability to meet the long term interests of consumers, not make it easier to build new network without a strong cost net benefits business case. We do not see this as a priority issue in the review.
4. Benefits included	We think the current range of benefits allowed under the rules is sufficiently broad to capture the drivers of major transmission investment. We do not support any change.
5. Hard to monetise benefits	‘Hard to monetise’ benefits are well named. We do not think the review should take forward this issue at all, let alone as a priority.
6. Market benefits test	We support the current net benefits test and do not support any move to a ‘consumer benefits’ test however that may be defined. We do not think the review should take forward this issue at all, let alone as a priority.
7. Non-network options	We support the treatment of non-network vs network issues be taken forward as a priority issue.
8. Contestability	We support the issue of contestability of major transmission projects be taken forward as a priority issue.
9. ‘Early Works’	We support clarification of the treatment of ‘early works’ being taken forward as a priority issue.
10. Jurisdictional approvals	We support the Review considering the impact of jurisdictional and environmental matters as a priority issue.

Our views on our material costs rule change discussed in Chapter 5 are addressed in a separate combined submission we have made with all the rule change proponents.

We look forward to further engagement with the Commission as the review proceeds.

Kind regards,



Andrew Richards
Chief Executive Officer

Responses to questions

QUESTION 1: ASSESSMENT FRAMEWORK

1. Do you agree with the Commission’s proposed assessment framework for this Review? Are there any additional criteria the Commission should consider as a part of its assessment framework?

Yes, we agree with the proposed framework’s focus on the National Electricity Objective and the criteria in Table 1. We also agree with the Commissions assessment of the framework in relation to materiality and feasibility.

QUESTION 2: IMPLICATIONS OF INCREASED UNCERTAINTY FOR THE EX-ANTE INCENTIVE-BASED REGULATORY FRAMEWORK

1. Do you agree with that the identified factors contribute to an increase to the uncertainty surrounding major transmission projects, relative to BAU projects? Are there other factors that should be taken into account?
2. Do you consider that the current ex-ante incentive-based approach to regulation is appropriate for major transmission projects? Why? Are there opportunities to drive more efficient expenditure and operational outcomes?
3. Do you agree that the Review should take forward this issue as a priority issue? If not, why?

The large scale of the proposed major transmission projects has presented new challenges to TNSPs. This is not only because of the time since the most recent large scale projects were completed – Basslink in 2005 and QNI in 2001 – means that there may be little corporate memory remaining from those projects. If recent experience is any indication, the cost of building large transmission projects is well beyond what anyone had contemplated and nasty shocks are being felt by project proponents.

It is also about the degree to which community expectations have changed considerably since then, specifically around the level of engagement and benefits sharing. Government environmental requirements have also tightened while the sheer volume of projects being developed at the same time can overwhelm many community members.

This has meant increasing uncertainty in both costs and benefits. Consumers are being asked to support projects on the basis of a very uncertain PACR cost estimate that subsequently increase significantly at the CPA stage and may well increase further during construction. However, we do not agree with the Commission’s view that (p.22):

“...an incentive to over-forecast costs is inherent in an ex-ante incentive based approach to regulation (irrespective of project size).”

We have a more nuanced view.

- there is an incentive to over-forecast costs for the ‘standard’ capex in a revenue reset to then share in a CESS benefit,
- there is an incentive to under-estimate costs in the RiT-T for a contingent project because a network has an incentive for it to pass the net benefits test
- once it passes that test there is an incentive to over-estimate costs in the CPA

We suggest that Project Energy Connect would not have passed the then required 5.16.6 test with the costs eventually approved by the AER at the CPA stage. It is this mis-match of incentives at the PACR and CPA stages that was a driving factor in our material costs rule change.

Our initial view is that fixing the incentives, such as with our rule change, will reduce uncertainty considerably and can ensure the ex-ante framework remains ‘fit for purpose’. We await what other ideas will be proposed in this review that ensure a robust evaluation framework and retain an incentive for TNSPs to at least meet the agreed costs. We are of the view that the best way to reduce uncertainty is to increase the level of scrutiny and robustness in the process.

We have confidence that the existing ex ante framework, modified as appropriate e.g. with the EUAA’s proposed rule change on material costs, can remain ‘fit for purpose’. We do not see a case for it being considered at all, let alone a priority.

QUESTION 3: ECONOMIC ASSESSMENT OF MAJOR TRANSMISSION PROJECTS

1. Streamlining the economic assessment of ISP and non-ISP projects has implications for the rigour of the analysis. What level of compromise between streamlining and rigour is acceptable? Are there opportunities to streamline the economic assessments of ISP and non-ISP projects consistent with this acceptable level of compromise? If so, how could the framework be streamlined?
2. Do you agree that any changes to the assessment process needs to consider the role of the RiT-T in the context of ISP and non-ISP projects? If not, why?
3. Do you agree that the Review should take forward this issue as a priority issue? If not, why?

A claim that some reform will ‘streamline’ a process is often code for reducing the robustness of the analysis so it is easier to build new network without a strong cost net benefits business case. A reader of the 2020 ISP could be forgiven for concluding that AEMO is supporting the building of all the projects in the optimal development path, irrespective of what the RiT-T process might show⁴.

“The ISP identifies investment choices and recommends essential actions to optimise consumer benefits as Australia experiences what is acknowledged to be the world’s fastest energy transition.” (p. 8)

This analysis identified the least system cost investments needed for Australia’s future energy system... When implemented, these investments will create a modern and efficient energy system that delivers \$11 billion in net market benefits, and meets the system’s reliability and security needs through its transition, while also satisfying existing competition, affordability and emission policies. (p.9)

So qualifications like:

“As long as augmentation costs are kept to an efficient level, strategically placed interconnectors and REZs, coupled with energy storage, will be the most cost-effective way to add capacity and balance variable resources across the whole NEM.”

⁴ <https://aemo.com.au/-/media/files/major-publications/isp/2020/final-2020-integrated-system-plan.pdf?la=en>

seem to be skated over. Yet when the analysis has been completed on Class 5 (-20 to +100% accuracy band) and Class 4 (-15 to +50% accuracy band) cost estimates, it seems that the relevance of cost uncertainty and the need to go through the RiT-T process should loom large in any strong conclusions about what should be built.

The ESB quote in the Paper suggests the ESB does not appreciate the role the RiT-T analysis plays for consumers (p.24):

“As the Regulatory Investment Test for Transmission is principally a net economic benefit test that relies on the assumptions and scenarios for the ISP and uses less developed costs than the CPA, it is unclear what additional benefits the RiT-T delivers for actionable ISP projects however it does significantly add to the time taken to get these projects approved.

The RiT-T is not simply a road bump on the way to a CPA approval. The argument that the RiT-T is an unnecessary delay to building what the ISP says should be built is flawed logic.

The ISP looks at the net benefits of a suite of projects while the RiT-T looks at an individual project. The RiT-T has (hopefully) a more accurate measure of project costs and provides consumers with some comfort that the project passes a cost benefit analysis test. The CPA involves no consideration of benefits – it is simply looking at the most efficient costs for the TNSP’s view of the preferred option. Does the ESB expect consumers to believe the cost benefits analysis in the ISP based on unreliable Class 5/4 cost estimates and simply have the AER assess costs irrespective of benefits?

In any case the path to project approval is now not determined by the length of the RiT-T process. It is determined by the length of time the network takes to get its best estimate of costs for the CPA. The time taken for this is getting longer and will continue to lengthen as ‘social licence’ approvals under jurisdictional legislation become more complex and land owners on the proposed route demand greater engagement and compensation. As the Paper notes (p.44):

“The current transmission development process can take six to seven years end-to-end. Separate from the planning processes under the national transmission framework, prospective transmission investments are also required to meet subsequent jurisdictional requirements, including:

- procurement of easements/property rights for transmission lines; and
- Environmental planning approvals.”

We do not see why the RiT-T process should be truncated when jurisdictional requirements are the determining factor of the timeline.

We are unsure why the paper seeks to distinguish the role of the RiT-T between ISP projects and non-ISP projects. Why is the RiT-T not part of the core cost benefit assessment of both categories of projects, not just non-ISP projects? Is the paper suggesting that the ISP serves that purpose for ISP projects? If so then we would strongly disagree. The need to apply a robust CBA framework is even more important for ISP projects given they are large costs and hence open to greater uncertainties.

The RiT-T process is resource intensive for a very good reason. The Paper well expresses our position (p.25):

“Detailed economic assessment of major transmission projects is an important safeguard in the regulatory framework since it helps to ensure that consumers only pay for investments that are in their long-term interests (i.e., they are net beneficial projects). Further, the existing economic assessment processes provide a transparent means for stakeholders to engage in the planning process.

The process is resource intensive for the very reason it needs to be to ensure a robust CBA and appropriate consumer engagement. We wonder if those seeking to ‘streamline’ the process, who generally are those who are not paying for the

investment over the next 50-60 years, would be satisfied with a streamlined investment approval process within their companies for their large scale generation investments? Would their board or shareholders be comfortable with this process? We think not.

Our members are very happy for TNSPs to recover the prudent and efficient level of costs of this resource intensive process in transmission charges. It seems false economy to 'streamline' the RiT-T process so that it is completed early only for the period from the end of the PACR to the CPA being extended because of the complexity of finalising social licence costs and other local stakeholder issues. As we argue in our material costs rule change, good consumer engagement and robust analysis designed to contribute to the NEO require accurate cost estimates. So why not allow the RiT-T to proceed in parallel with the increasing accuracy of cost estimates?

Therefore, we do not support streamlining of the RiT-T process if that means lessening its ability to robustly determine the preferred option has net benefits.

QUESTION 4: BENEFITS INCLUDED IN PLANNING PROCESSES

1. Are the benefits included in current planning processes sufficiently broad to capture the drivers of major transmission investment? Does the scale and pace of the NEM's energy transition necessitate inclusion of other classes of market benefits or wider economic benefits? If so, what kind of other classes of market benefits or wider economic benefits should be included?
2. Are major transmission projects failing to satisfy economic assessments because certain benefits (market or non-market) are not permitted to be quantified?
3. Are changes warranted to the manner in which carbon emissions inform transmission planning and regulatory processes?

We think the current range of benefits allowed under the rules is sufficiently broad to capture the drivers of major transmission investment. While Governments will have legitimate objectives outside the current framework, we agree with the conclusions of reviews of the Productivity Commission and the AEMC that these wider benefits should not be included in the RiT-T. We see no reason to change this view given recent developments in the NEM. Including them will simply distort efficient decision making and add unnecessary complexity and confusion as different stakeholders seek to push their particular valuation of a particular benefit.

Governments are free to directly subsidise transmission investments if they wish gain these wider benefits. For example, if there is a preferred option that has a break-even capex of \$2b but is estimated to cost \$2.5b as governments seek to maximise local content or employment, Governments are free to fund the additional \$0.5b and reduce the TSNP RAB addition to \$2b.

For similar reasons we do not support the inclusion of carbon benefits in the RiT-T. Reductions in carbon emissions are already included in ISP modelling to determine the optimal development path and are already included in benefits received by renewable energy generation (i.e. government support, ability to trade environmental benefits and green premiums etc). To then include them again in individual ODP RiT-Ts would be double counting and increased costs for consumers for no material gain.

If wider benefits are included in the RiT-T assessment we run the risk of TNSP's becoming de-facto tax collection agents for governments as they seek to recover the cost of non-related policy objectives.

Therefore, we support the current rules definition of benefits. No changes are warranted

QUESTION 5: GUIDANCE ON HARD TO MONETISE BENEFITS

1. What classes of market benefits are hard to monetise? Is there a way that these benefits could be made easier to quantify?
2. Would guidance on hard to monetise benefits improve the timeliness at which projects proceed through the regulatory process?
3. Do you agree that the Review should take forward this issue as a priority issue? If not, why?

‘Hard to monetise’ benefits are well named for a reason. They are hard to monetise and hence very difficult, if not impossible, to get consensus on how they should be valued. Pages of guidance are not going to save something that is not in the long term interests of consumers. It will only encourage networks and their consultants to think up even more ways of justifying more network investment increasing the probability of over investment. We discuss specific examples in our response to the next question.

We do not think the review should take forward this issue at all, let alone as a priority.

QUESTION 6: MARKET VERSUS CONSUMER BENEFITS TEST

1. Do you consider that there are changes that have occurred in the energy sector that warrant reconsidering the merits of a market versus consumer benefits test? If yes, what are these changes and why do they require revisiting this issue?
2. Should the Review take forward this issue as a priority issue? Why?

While it may seem counter intuitive, the EUAA is a strong supporter of the continuation of the market benefits test rather than a customer benefits test. This is for the same reasons the ACCC rejected it over 20 years ago. It is not possible to develop a test that is clear, efficient and workable.

Nevertheless, that has not stopped networks seeking to use ‘consumer benefits’ as a marketing tool for getting consumer support for network investments. Transgrid and Electranet did this extensively in its marketing of Project Energy Connect highlighting the lower prices consumers will pay. Their presentations to the AEMC Forum on the Transgrid financeability rule change were dominated by an assessment of consumer benefits⁵. For example, Electranet stated:

“Modelling shows expected customer price reductions in both regions which outweigh the additional transmission costs by a factor of 6-7 times or more”.

These estimates come from modelling by ACIL Allen (for Electranet) and FTI (for TransGrid). We focus here on the FTI modelling results based on 2020 ISP assumptions. We presented a detailed assessment of the FTI modelling in our submission on the rule change which claimed large benefits over the next 50 years⁶.

⁵ See <https://www.aemc.gov.au/sites/default/files/2020-11/AEMC%20public%20forum%20-%20Financeability%20of%20ISP%20projects%20-%2026%20November%202020.pdf>

⁶ See pp https://www.aemc.gov.au/sites/default/files/documents/rule_change_submission_-_erc0320_-_energy_users_association_of_australia_-_20201203.pdf

Yet on closer examination the results showed:

- Minor benefits in South Australia in the 2020s which decrease significantly in the 2030s and in one model run showing price increases
- The vast majority of the benefits are in NSW but these do not come until the mid 2030s based on the import of cheaper renewables from SA.

Based on the two year ISP cycle, there will be around 8 ISPs, and 8 changes in assumptions, before the majority of the claimed benefits will accrue to the children of the consumers the TNSPs were asking to pay more now. Certain costs and very uncertain benefits.

FTI also looked at the ‘hard to monetise’ benefits that FTI argued were not recognised in the RIT-T framework. They argue⁷:

“In addition, EnergyConnect has an expected useful life of around 50 years and is unlikely to stop operating in 2040 (which is the end-point of the period of the RIT-T’s benefits assessment). Instead it is likely to continue operating and delivering benefits to the NEM. Although the long-term benefits are much less certain, excluding them (as per the RIT-T) could undervalue the merits of the project.”

These benefits were in three categories – supporting the integration of renewables into the grid, connecting complementary generation mixes in SA and NSW and contributing to security of supply in SA:

- (i) PEC provides an option for excess renewables from one region to be exported to another⁸

Yet the NSW Roadmap seems deliberately designed to expand generation in NSW for NSW economic development reasons. It seems clear that the NSW government wants to generate its power in NSW, not import it from SA.

- (ii) Using PEC to achieve ‘public policy’ objectives⁹

“...we consider that the wider, hard-to-monetise effects of EnergyConnect are likely to help the NSW and SA governments advance a number of stated public policy aims. In this way, the benefits of EnergyConnect can be seen through the lens of a ‘public policy’ objective, similar to how certain European and US projects are evaluated when they are perceived to be in the wider interest of society.

Reference is made to State Government zero net emissions targets as part of the ‘public policy benefits’ without any analysis of whether PEC is the most efficient way to achieve these. Even if there are these public policy benefits we would suggest the taxpayer rather than the electricity consumer is the payer as they are the beneficiary. State Governments have the option of contributing to the capex of PEC to enable it to achieve ‘public policy benefits’ as has been the case in other places¹⁰.

The final areas where FTI seeks to argue for the inclusion of ‘hard to monetise’ benefits is around lower wholesale prices from 2040-2073. After the conventional 20 year lower wholesale prices forecast FTI provides an estimate of gross savings of \$6.8-14.7b for 2040-73 (the remaining asset life). No evidence is provided for the estimates and the suggested range seems pure speculation.

⁷ FTI p. 17 https://www.aemc.gov.au/sites/default/files/documents/new_rule_change_proposal_-_national_electricity_rules_-_TransGrid_-_making_isp_projects_financeable_-_fti_report_-_20200930.pdf

⁸ Ibid p.28

⁹ Ibid p.44

¹⁰ e.g. the Queensland Government’s recent commitment of \$145m for transmission infrastructure to facilitate the connection of renewable generation. See Queensland Economic Recovery Plan p. 41
https://www.covid19.qld.gov.au/_data/assets/pdf_file/0025/128194/economic-recovery-plan.pdf

We conclude that the analysis of the FTI forecast of ‘hard to monetise’ benefits confirms they are well named. It also confirms the ACCC’s findings 20 years ago that it is not possible to develop a methodology that is clear, efficient and workable. Are consumers really expected to support billions of dollars of real expenditure on networks on the basis of a wholesale price forecast of what might or might not occur in 20-50 years’ time?

We do not agree with taking this issue forward in the review.

QUESTION 7: TREATMENT OF NON-NETWORK OPTIONS

1. Do you agree that there are barriers for non-network options in economic assessments? If so, do you agree with the barriers identified? Are there any further barriers? How should these barriers be addressed?
2. Do you agree that the Review should take forward this issue as a priority issue? If not why?

Our experience in the RiT-T process suggest that true technology neutrality is not always the case with networks having an intrinsic preference for network solutions for the reasons outlined in the Paper.

One reason may be the different accuracy assumptions used in the RiT-T between network and non-network options. With network options generally at Class 4, non-network options are more likely to be a lower class/more accurate costs. If the network alternative is preferred at the PACR then subsequent increases in network costs occur but they are not subject to a comprehensive re-visiting of whether the higher cost network solution is still the preferred option.

The material costs rule change will have the additional benefit of providing an incentive to better understand the costs of non-network options in parallel with the better understand of network option costs.

We agree that this issue should be taken forward as a priority issue.

QUESTION 8: BALANCING TNSPS' EXCLUSIVE RIGHT TO BUILD AND OWN TRANSMISSION PROJECTS

1. Are there features of financing infrastructure projects used in other sectors that should be considered in the context of the efficient and timely delivery of major transmission projects?
2. Should the delivery of major transmission projects be made contestable? If not, why?
3. What options, other than changes to the exclusive right of TNSPs to provide regulated transmission assets, could be considered to ensure timely investment and delivery of major transmission projects?
4. Do you agree that the Review should take forward this issue as a priority issue? If not, why?

We support the review taking forward consideration of making major transmission projects contestable. It will need careful consideration of when that contestability is implemented and how. What happens if a party other than the incumbent TNSP wins a tender on the basis of a proposed price but subsequently finds that they are unable to build the project at that price?

QUESTION 9: TREATMENT OF 'EARLY WORKS'

1. Do stakeholders seek further clarity on the meaning of preparatory activities and early works?

2. Should the Commission consider how the costs of early works can be recovered?
3. Do you agree that the Review should take forward this issue as a priority issue? If not, why?

We support the Commission providing additional clarity on cost recovery arrangements for 'early works' and 'preparatory activities'. We are happy to consider new arrangements that allow networks to get ex ante approval for required work to ensure a robust consideration of costs and benefits as part of the RiT-T process. This would obviate the need for jurisdictions to underwrite this expenditure.

During the consultation process for the AER's Guidance Note on the regulation of actionable ISP projects, we supported the ability of networks to put in an early works CPA.

Yes, it should be carried forward as a priority issue.

QUESTION 10: PROCESSES FOR JURISDICTIONAL ENVIRONMENTAL AND PLANNING APPROVAL

1. Would additional clarity on cost recovery arrangements for early works improve a TNSP's ability to meet jurisdictional requirements in a timely manner?
2. Do jurisdictional planning and environmental requirements intersect with the national transmission planning and investment frameworks in ways that are not discussed above and may require further consideration?
3. Do you agree that the Review should take forward this issue as a priority issue? If not, why?

The impact of increasing jurisdictional requirements was a key driving factor in our material costs rule change. Land acquisition and environmental approvals are adding significant costs and the RiT-T process needs to ensure these costs are considered in some detail as part of the RiT-T process to ensure consumers are fully informed when benign asked to support particular projects.

While there are provisions for compulsory acquisition, we consider that resorting to this is an indication of a failed stakeholder engagement plan.

We agree with the review taking forward this issue as a priority.