

Summary of public forum

2024 Review of draft amendments of the Cost Benefit Analysis and Regulatory Investment Test Guidelines – incorporating the changes in emissions as a market benefit, concessional finance, workability of feedback loop and early works.

Meeting details

- Held on Mon 26 Aug 2024, online, 2.30pm – 4.00pm
- Approximately 35 people attended the session, including a mix of consumer advocacy groups, market bodies, consultancies, government departments and other interested individuals
- The forum was opened by Stephanie Jolly, Executive General Manager (Consumer, Policy and Markets), followed by presentations and Q&A sessions hosted by Australian Energy Regulator (AER) staff
- [Presentation slides](#) are available on the draft decision page of the 2024 Review of the cost benefit analysis and regulatory investment test guidelines project on our website.

Purpose

The AER scheduled public forums to discuss the amendments to a set of guidelines used by proponents of new electricity transmission and distribution projects; the 2024 review of the Cost Benefit Analysis (CBA) and Regulatory Investment Test (RIT) guidelines.

This forum was the first of 3 public forums. The focus was to describe how we used stakeholder inputs to develop our preliminary positions into the draft amendments, to gather initial stakeholder feedback on the draft amendments, and to provide clarification to stakeholders to help them in preparing written submissions.

This document provides an overview of the main points discussed and questions raised during the forum.

Overview

The main feedback provided by stakeholders was:

- The draft guidelines must convey information efficiently and effectively, with some amendments requiring further clarification:
 - Which scopes of emissions must be considered as a binding requirement
 - the level of detail expected from RIT proponents in describing their scope of emissions, concessional finance agreements and costs approved in an early works contingent project application.
- The amendments could elaborate on the expectations of what evidence should be provided by proponents for each topic.

Summary of questions and answers

Questions were raised by participants or submitted as comments during the forum.

Incorporating changes in emissions as a market benefit

Our presentation on the draft amendments explored the different scopes of emissions and the requirements that direct emissions in the national electricity market must be considered and indirect emissions may be considered, where material.

Stakeholders sought more information on how a proponent can determine whether emissions are material for the purposes of a RIT. Some stakeholders expressed concern that proponents have discretion to not include these emissions when they represent a material positive change in emissions. Stakeholders noted an intention to provide examples of this in a submission for consideration.

Stakeholders also questioned how the AER would factor in whether there is a robust methodology in measuring indirect emissions. Accounting methods and practices for emissions are evolving, including to a greater extent for estimating indirect emissions. The draft amendments provide flexibility to allow adaption to evolving best practice and data to ensure proponents act to the intent of the changes.

“if a proponent deems something to be immaterial meaning they don’t need to provide information on it, this could be problematic.”

“The draft amendments are unclear as to the presumption of whether emissions are material or immaterial.”

Participant comments

Concessional finance

Concessional finance agreements are treated in the guidelines the same as external funding contributions. Proponents must provide sufficient detail of an agreement to determine how the concession is to be passed to consumers, and they then have the option to include agreements only when they are likely to be executed.

In the discussion, we sought specific feedback on whether the phrase ‘provides sufficient detail’ struck an appropriate balance between encouraging reporting of agreement details with providing the necessary flexibility to allow agreement inclusion during the early stages of a project. Stakeholders were broadly supportive of this, however, there was a concern that too much flexibility may mean a digression from what is required by the national electricity rules.

One stakeholder suggested the provider of finance could provide evidence or a statement of intent to provide finance to a project to provide greater surety of a proponent’s claim.

Stakeholders also generally expressed concern that specific requirements placed on concessional finance at the RIT stage may be untenable given negotiations tend to happen late in or after the process.

“The funding body could provide evidence or a statement of intent for the funding agreement to provide greater surety.”

“concessional finance negotiations don’t happen until very late in the RIT/CBA stage.”

Participant comments

Workability of the feedback loop

Our presentation on the workability of the feedback loop focused on our amendments which gave effect to the recent changes to the national electricity rules.

We sought feedback on how we worded and implemented these changes. No comments or queries were made in the forum.

Early works

Our presentation on the treatment of the costs of early works in subsequent regulatory investment tests for transmission (RIT-Ts) focused on our amendments to give effect to the recent draft rule determination and ultimately to the final rule once it is made¹.

One stakeholder sought clarification on cost recovery for early works, which was discussed as useful context even though it is not affected by this guideline review. In particular, it was noted that early works costs approved for a project would be recoverable independently of the outcome of the RIT-T.

We sought feedback on how we worded and implemented these changes. A stakeholder suggested that we consider the NSW Government’s technical note on the treatment of prior costs in transport cost-benefit analysis. No other comments or queries were made.

“Transport for NSW recently published a technical note on the treatment of prior costs that could be relevant to this review.”

“The guidelines should consider how to treat costs that have been approved but not spent if an actionable project is not progressed.”

Participant comments

Next steps

- Further questions and feedback may be sent to RITguidelines@aer.gov.au
- Stakeholders are also encouraged to send written submissions to RITguidelines@aer.gov.au by 20 September 2024.
- We will publish the final guidelines in November 2024.

¹ The final rule for *Bringing early works forward to improve transmission planning* was published by the AEMC on 5 September 2024.