

RIT-D

Public Forum—pre-draft RIT-D

Summary of Sydney workshop—15 May 2013

Separate workshops on the pre-draft regulatory investment test–distribution (RIT-D) and pre-draft RIT-D application guidelines (application guidelines) were held in the Australian Energy Regulator’s (AER) Melbourne and Sydney offices. Some participants were able to connect via teleconference.

Mr Chris Pattas, General Manager of the project, chaired the workshops. A full attendee list can be found in Attachment A. This summary outlines the key topics discussed at the workshops, including views expressed, without ascribing comments to any one individual or organisation.

1 Introduction

The AER’s purpose in holding workshops in Melbourne and Sydney was to consult on the pre-draft RIT-D and the application guidelines.

These workshops did not cover any other Power of Choice related matters, such as demand management incentives or development of more cost reflective or flexible pricing frameworks. These are still subject to further rule changes by the Australian Energy Market Commission (AEMC).

The workshops provided participants an opportunity to provide comment on the pre-draft RIT-D and application guidelines prior to its release on 5 June 2013. AER staff (staff) noted that the application guidelines was still in draft form and had not been approved by the AER Board. To facilitate discussion, participants were distributed with a list of the main issues raised in submissions to the RIT-D Issues Paper.

2 Issues discussed at the workshop

General comments

Several network service providers (NSPs) noted that they would be happy to provide more examples to include in the application guidelines.

Staff noted that the draft RIT-D will be released in early June. Where applicable, the draft RIT-D is consistent with the regulatory investment test–transmission (RIT-T)

a) Market benefits

Market benefits were discussed by the participants.

b) *Wealth transfers*

Wealth transfers were discussed by the participants.

c) *Option value*

Staff noted that the approach set out in the application guidelines is similar to the RIT-T. Participants generally agreed with the treatment of this issue.

d) *Discount rates*

Staff noted that this issue was not covered in the application guidelines. We noted that in including the discussion, it will be consistent with the RIT-T.

e) *Interested parties*

Staff queried whether the participants had views on the approach to interested parties and the definition of a material and adverse national electricity market (NEM) impact in the application guidelines.

NSPs queried the timeframe interested parties had in responding to the draft project assessment report (DPAR). They requested that this issue be clarified. NSPs also noted that this issue would relate to service quality, and that interested parties would raise concerns in response to the DPAR. Participants were also concerned that the process of consulting directly with interested parties could potentially become cyclical without getting resolved.

f) *Lead parties in joint planning*

Some NSPs queried the process that the AER would take in dispute resolution in relation to this issue and requested further guidance in the application guidelines. NSPs noted that because the application guidelines are binding, any guidance on this issue will have the same weight as the NER. However, other NSPs noted that providing a formal dispute resolution processes would be beyond the requirements of this issue.

g) *Deemed values*

Staff noted that it has not specified values in the application guidelines as values differ across the NEM. NSPs noted that:

- value of customer reliability (VCR) could potentially cause disputes towards the completion of the project
- there are issues in using value of loss load (VoLL)
- VCR set out in the service target performance incentive scheme could be used
- consistency should be maintained.

Staff noted when undertaking a RIT-D assessment, RIT-D proponents should use a suitable VCR. We do not want to lock NSPs into using a value that may change in the future.

h) *Simplicity of the RIT-D*

Staff noted that the simplicity of RIT-D is in accordance with the NER. Participants did not have any comments in relation to this issue.

i) *Lead times*

Staff noted that the NER set out the process for when projects are exempt from the RIT-D. Participants did not have any comments in relation to this issue.

j) Costs under uncertainty

The approach adopted in the RIT-T uses probability weights compared to a sensitivity analysis. NSPs noted that it is preferable to use a sensitivity analysis instead of probability weight in assessing credible options. The application guidelines should also clarify uncertainty and probability. Further, NSPs discussed:

- the source behind the assumption when assigning probabilities
- difficulty in describing the rationale behind the chosen weights. While demand is relatively easy to estimate, costs are much more difficult to ascribe
- differences between uncertainty and risks should be highlighted
- risk-based approach does not work with uncertainty
- uncertainty is an issue for project outcomes and its timing
- very difficult to assess projects in advance.

k) Stakeholder consultation

NSPs commented that consultation was targeted to those known to the businesses. Staff queried about the businesses' demand-side register. NSPs noted that they were currently advertising and had some specific names to contact directly.

NSPs noted that:

- it must have a list of interested parties on their demand management register
- they are unable to locate all the interested parties. They requested that stakeholders with contacts relating to demand management (DM) parties to pass it to them.
- requested participants to act as a mailbox for distribution businesses/stakeholder consultation.

Participants noted that interested parties were not aware of DM projects being undertaken to make alternative proposals. They noted that some businesses had terms of reference to improve its consultation process, however, not all stakeholders were aware of this process.

l) Other issues

Participants discussed how upstream benefits are considered where there is avoidance of capacity in load shedding. They queried whether non-network solutions would capture these. It noted that upstream benefits avoided transmission use of system (TUOS) and distribution use of system (DUOS) charges.

NSPs noted that upstream benefits are not always taken into account. It is taken out of the joint planning process. TUOS and DUOS charges are avoided on embedded generators. Staff noted that the RIT-D process will assess all benefits that are material.

3 Concluding comments

Mr Pattas thanked all attendees for their participation. He invited participants to provide any examples they considered useful for the development of the draft application guidelines.

Attachment A: Attendee list

Name	Organisation
Felipe Kovacic	Origin Energy /Cogent Energy
Mark Byrne	Total Environment Centre
David Trethewey	TransGrid
Gordon Burbidge	TransGrid
Colin Hackney	Essential Energy
Robert Millar	Ausgrid
John Prot	Ausgrid
John Hele	Ausgrid
Keith Yates	Ausgrid
Jitendra Tomar	EnerNOC Pty Ltd
Zak Rich	RET
Deepak Sahay	Endeavour Energy
Jason Lu	Endeavour Energy
Felipe Kovacic	Origin Energy /Cogent Energy
Mark Byrne	Total Environment Centre
David Trethewey	TransGrid
Rajat Sood	Frontier Economics
Chris Pattas	AER
John Skinner	AER
Shalini Prasad	AER
Lisa Beckmann	AER

Telephone hook in

Name	Organisation
Nicola Roscoe	Energex
Sisira Weeratunga	Energex
Helen Stewart	Energex
Alex McPherson	Energex
Michael Whitfield	DRET
Robert Walker	ActewAGL