

# **Key questions and answers from ESB/AER public forum on making the Integrated System Plan actionable**

*5 December 2019*

## **How does the contingent project process work under the draft rules and are there changes to other elements of the revenue determination process?**

The only key change is to the contingent project triggers for actionable ISP projects. We do not expect other elements of the revenue determination process to change.

Under the draft rules, an actionable ISP project that has passed a RIT-T would be able to commence a contingent project process on the basis of new triggers. This process requires the following trigger events to be met:

- the ISP identifies the project as requiring a RIT T to be completed within the revenue determination period
- the TNSP completes a RIT T that satisfies the RIT T requirements
- AEMO provides advice that the TNSP's preferred option as identified in the RIT T is consistent with the optimal development path.

These are different triggers to the current contingent project process. In particular, these do not contain the AER preferred options assessment (NER clause 5.16.6) that is currently often included in contingent project processes that follow RIT-Ts.

*See section 3.3 of the ESB's draft rules consultation paper.*

## **Are all transmission projects identified in the ISP actionable? Would it be worthwhile having a category for non-actionable transmission projects identified in the ISP?**

The intention is for all actionable ISP projects to trigger some form of action. However, this can be preparatory works and not a RIT-T process. The ESB will take on notice whether to include a category for non-actionable transmission projects, where no action would be required within the following two years (before the next ISP).

*See section 2.2.4 of the ESB's draft rules consultation paper.*

## **How do the draft rules propose to incorporate non-network options in the ISP process?**

The core of the ISP modelling process is to co-optimize transmission, generation, storage and demand side options to efficiently meet power system needs. Further, AEMO is encouraged to consider non-network alternatives to transmission investment in selecting its development paths for assessment in the ISP. This can be facilitated through joint planning between AEMO, TNSPs and other market participants at the early stages of the ISP process.

Additionally, stakeholders will have the opportunity to submit non-network options in response to the draft ISP. Where the final ISP indicates that a non-network option meets or potentially meets the identified need, the TNSP must assess the non-network option in their PADR. If the final ISP indicates that a non-network option does not meet the identified need, the TNSP is not obliged to assess that non-network option in their PADR.

Lastly, TNSPs can consider other non-network options not identified through the ISP process when selecting credible options in the RIT-T process.

*See section 3.1.2 of the ESB's draft rules consultation paper.*

### **Can TNSPs consider credible options in the RIT-T process that have not been considered in the ISP process?**

Yes, TNSPs are free to consider any credible option that meets the defined need, as per the current RIT-T application guidelines.

For each actionable ISP project, the ISP will describe the identified need, together with a proposed ISP candidate option that it considers meets the identified need. In the RIT-T, the TNSP will consider credible options for meeting the identified need, including the ISP candidate option, non-network options put forward following the publication of the draft ISP, and any new credible options not previously identified that meet the identified need.

In the AER guidelines issues paper, the AER also proposed the TNSP consider and develop credible options with option value at the RIT-T stage.

*See section 3.1.1 of the ESB's draft rules consultation paper.*

*See section 5.1.2 of the AER's guidelines issues paper.*

### **Can the ISP or RIT-T require TNSPs to build transmission projects under the new rules?**

There is no ability for the draft rules or guidelines to require TNSPs to build transmission projects. The draft rules allow for the ISP to trigger a RIT, but even if a project is selected in a RIT there is no obligation for the TNSP to proceed with the investment.

### **Do the transitional arrangements propose to deem AEMO's 2020 ISP compliant with the new rules?**

Yes, the draft rules propose to deem the 2020 ISP compliant with the new framework when it is published (expected mid-2020).

*See section 4 of the ESB's draft rules consultation paper.*

### **How does the proposed process manage any differences between the ISP and RIT-T outputs?**

As set out below, the draft rules are designed to prevent misalignment between the ISP and RIT-T, as the preferred option identified in the RIT-T process must meet the ISP identified

need. Therefore, even if the RIT-T identifies a preferred option that is different to the ISP candidate option, it should still be aligned with the ISP (all else equal).

The draft rules incorporate a feedback loop whereby the TNSP seeks advice from AEMO as to whether the results of the RIT-Ts align with the ISP. Prior to submitting a contingent project application to the AER, the TNSP must obtain written advice as to whether:

- the RIT-T preferred option is the same as the ISP candidate option, or
- if the RIT-T preferred option is not the ISP candidate option, the TNSP's preferred option:
  - addresses the identified need specified in the ISP, and
  - forms part of the optimal development path set out in the most recent ISP.

AEMO will re-run its ISP model to check whether the preferred option selected by the TNSP is consistent with the optimal development path. If circumstances have changed such that the project is no longer part of the optimal development path, then AEMO will consider issuing an update to the ISP using the new information.

Further, the AER cost benefit analysis guidelines will provide more detailed application guidance on RIT-Ts for actionable ISP projects. This will include issues related to the alignment of ISP and RIT-T outputs. For example, the AER guidelines issues paper explores the scenarios and modelled generation that should be used in RIT-Ts for actionable ISP projects. The AER seeks stakeholder feedback on these issues.

*See section 3.1.1 of the ESB's draft rules consultation paper.*

*See section 6.1 of the AER's guidelines issues paper.*

### **What are the checks and balances on the process? Is there a role for the AER to engage an independent consultant to review the modelling if it considers there is a material risk to consumers?**

The draft rules do not provide for the AER to engage an independent consultant in this way. However, the layers of consultation embedded within the ISP process, along with dispute resolution mechanisms, provide checks and balances on the ISP and RIT-T processes.