

6 April 2018

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Via email: RIT@aer.gov.au

Dear Peter

AusNet Services welcomes the opportunity to participate in this consultation process.

The Regulatory Investment Test (RIT) is an important aspect of the regulatory framework, serving to increase the transparency around network service providers' investment decisions. Only minimal changes have been made to the current application guidelines since their establishment, and the review of the Application Guidelines is timely given:

- The recent application of the RIT to repex, which will result in broader and much more frequent application of the RIT by network service providers; and
- Changing investment drivers, particularly in relation to the transmission network where it is generation, rather than load, which is driving network development.

AusNet Services has carried out two investment tests to date¹ for distribution network investments. The first commenced prior to the AER's RIT and related to the augmentation of Kalkallo zone substation. We are currently partway through a RIT on part of a bushfire mitigation program that has been mandated by the Victorian Government². As AEMO is the Victorian transmission planner, it carries out the RITs required for transmission augmentation. However, now that the RIT applies to replacement, in addition to augmentation expenditure, we expect to carry out several each year for both the distribution and the transmission networks.

AusNet Services supports the intent of the RIT Application Guidelines to provide guidance around areas most likely to be subject to dispute without being so prescriptive as to impinge on networks' asset management approaches.

It would, however, be helpful to explicitly recognise in the 'Identified Need' section of the Application Guidelines that the need for investment in the network may be driven by the need to meet safety obligations. Where an old asset in poor condition can no longer be operated and maintained in a manner that would enable networks to meet legislative safety obligations, increasing safety risk can be as material a driver of network investment as reliability risk. This is increasingly the case where the replacement of assets has been efficiently deferred beyond the end of their originally foreseen life.

¹ Note – these are not included in Part A of the AER's Issues Paper

² Note – there are no credible options to the need to invest in Rapid Earth Fault Current Limiters (REFCLs).

Consultation and Engagement

AusNet Services is committed to engaging with all stakeholders, including consumers and non-network providers, in relation to its Regulatory Investment Tests.

In relation to consumer engagement, engagement on RITs should form part of a network's BAU engagement processes. Therefore, this falls within the scope of the AER's Consumer Engagement Guideline. This high-level and principles-based, and since its application, networks have adopted innovative engagement practices. There is no clear need for additional prescription to apply specifically to RITs, as part of the RIT Application Guideline.

In relation to engaging with non-network service providers, recent regulatory changes have increased the information available to these stakeholders. For example, distribution networks are now required to publish detailed five year plans of network investment requirements.

AusNet Services frequently engages with non-network providers both in relation to distribution and transmission network development. It would be helpful to understand the particular concerns about engagement with these stakeholders specifically in relation to RITs before prescriptive requirements are added to the RIT Application Guidelines.

AusNet Services' supports the ENA's comprehensive submission on this matter. Please contact me on 03 9695 6309 with any questions in relation to this submission.

Sincerely,

A handwritten signature in black ink that reads "C. Eddy". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Charlotte Eddy
Manager Economic Regulation
AusNet Services