# SUBMISSION TO THE AUSTRALIAN ENERGY REGULATOR'S REVIEW OF THE RIT-T APPLICATION GUIDELINES

APRIL 2018

The CEFC welcomes the opportunity to make a submission to the Australian Energy Regulator's review of the application guidelines for the Regulatory Investment Test for Transmission. This submission responds to question 16: *Given AEMO is currently developing the Integrated System Plan (ISP), what additional guidance would stakeholders find useful in the RIT–T application guidelines with respect to the ISP?*

## INTEGRATED PLANNING FOR TRANMISSION AND GENERATION

The CEFC made a submission in March on the Australian Energy Market Operator's Integrated System Plan consultation paper.

In that submission, we noted that to date, large-scale renewable energy projects in Australia have clustered around existing transmission networks, but have also gravitated towards higher quality energy resources. This pattern is explained by project developers seeking to maximise energy generation while minimising transmission investment costs.

We observed that as the generation mix shifts from fossil fuels to wind and solar and distributed energy resources, transmission planning will need to refocus to deliver least-cost reliable electricity from variable renewable energy (VRE) resources.

We said in our submission that AEMO's analysis of Australia's renewable energy resources is very welcome and should promote transmission investment that enables geographically balanced renewables development, achieves access to high quality VRE resources, unlocks VRE resources that are correlated with electricity demand, and delivers economies of scale.

We argued that further economic analysis in the Integrated System Plan would help the market understand the trade-off between accessing higher quality and more geographically balanced renewable energy resources and increasing investment in transmission. That analysis would also help to inform the sequencing of renewable energy zone development to promote the least-cost investment pathway consistent with reaching the emissions reduction target.

## A LEAST-COST HIGH-RENEWABLES SYSTEM MAY REQUIRE MORE COORDINATED TRANSMISSION INVESTMENT

Analysis for the Integrated System Plan should improve stakeholders' understanding of whether coordinated transmission upgrades are likely to deliver lower system costs than uncoordinated investment. If the Plan's analysis shows that coordinated investment delivers lower overall costs than ad-hoc upgrades, it would strengthen the case for changes to the framework to promote coordination in line with the Plan.

Network augmentation expenditure has declined, with the RIT-T framework seeing only six of 18 applications completed since it was introduced in 2010. A lack of upgraded transmission capacity is limiting renewables investment in some regions. The regulatory framework for transmission investment should pro-actively support the energy market transition while taking into account the costs and benefits to energy consumers.

## ABOUT THE CEFC

The Clean Energy Finance Corporation invests, applying commercial rigour, to increase the flow of finance into the clean energy sector.

Our mission is to accelerate Australia's transformation towards a more competitive economy in a carbon constrained world, by acting as a catalyst to increase investment in emissions reduction.

We do this through an investment strategy focused on cleaner power solutions, including large and small-scale solar, wind and bioenergy; and a better built environment, with investments to drive more energy efficient property, vehicles, infrastructure and industry.

The CEFC also invests with co-financiers to develop new sources of capital for the clean energy sector, including climate bonds, equity funds, aggregation facilities and other financial solutions.

The CEFC operates under the *Clean Energy Finance Corporation Act 2012*.

The CEFC's strategic framework supports sectors in the Australian economy that are the largest sources of carbon emissions to reduce their emissions and ultimately to help to transform the economy to achieve net zero emissions in the second half of the century.