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Submitted via email to: [ISPguidelines@aer.gov.au](mailto:ISPguidelines@aer.gov.au)

### **Guidelines to Make the Integrated System Plan Actionable – Issues Paper**

Delta Electricity welcomes the opportunity to contribute to the consultation on guidelines for making the Integrated System Plan (ISP) actionable. Delta owns and operates the 1320MW Vales Point power station in NSW and has a retail licence to sell electricity to large customers. Delta has operated coal and gas fired generating plant in the National Electricity Market (NEM) since its start in 1998 and is an active participant in both the electricity and gas trading markets.

Under the Energy Security Board's (ESB) draft rules AEMO has a significantly expanded role as national electricity market transmission network planner and the gatekeeper for many large-scale transmission network investments. This role will have a major impact on consumers because any new transmission determined to be needed by AEMO must be paid for by consumers over subsequent decades irrespective of future power market outcomes. It will also have a major impact on generation investors as any new transmission project will compete with generation projects or provide benefits to generators in some locations while detracting from the economics of generation projects in others. Delta therefore supports tighter governance of AEMO's ISP process including close AER oversight and provision in the rules and guidelines for AEMO to respond to stakeholder input giving clear reasons for the choices it makes around input assumptions and scenario selection.

Delta has provided answers to select questions from the issues paper in the following section.

*Question 2: Do stakeholders agree with our proposed approach to flexibility and prescription for AEMO in the CBA guideline? Will this provide sufficient certainty and transparency to stakeholders?*

Delta supports the principle that where AEMO is required to 'have regard to' an element of the guideline there is a clear explanation from AEMO regarding how it has done this. If stakeholders have provided input on this element of the CBA it would be helpful for the sake of transparency for AEMO to respond to the input of these stakeholders with an explanation of how their input was considered and the reasoning behind AEMO's conclusions.

Where AEMO is given discretion over elements in the CBA, this approach to transparency will be vital. In the instance cited in the issues paper regarding AEMO having in place a robust process around consultation on inputs and assumptions, it is Delta's view that the guidelines should specify a requirement for AEMO to publish responses to stakeholder input outlining its reasons for adopting or not adopting their input. This would form a key part of the 'robust process' around stakeholder input.

*Question 3: What are stakeholders' views on our proposed approach to AEMO's development of inputs and assumptions? Are there additional principles we should consider?*



The principles outlined in the issues paper provide a reasonable approach to the development of inputs and assumptions. At every step, transparency with stakeholders is paramount, including the scope of work for engagement with, and methodology used by, external data or information providers.

In addition, the provision of preliminary or draft results and consultant reports to stakeholders in a timely manner is crucial to gaining high quality stakeholder critique. The process for consultation included in the guidelines should spell out minimum timeframes for the provision of information to stakeholders prior to discussion in a public forum or panel.

*Question 4: What are stakeholders' views on our proposed approach to AEMO's development of reasonable scenarios? Are there additional principles we should consider?*

The development of reasonable scenarios and the 'planning scenario' is crucial to the ISP outcome. Delta supports the principles described in the issues paper but considers that what constitutes a "reasonable range" of scenarios should be more clearly defined. This is likely to be most effectively approached through consultation with stakeholders in preparation for the ISP modelling. It will be crucial that AEMO outlines its reasoning and publish a response to stakeholder input during the formation of the scenarios to ensure that confidence in the process is maintained. Similarly, the selection of the 'planning' scenario will require clear explanation from AEMO regarding its reasoning and its consideration of stakeholder inputs.

*Question 6: What are stakeholders' views on our proposed approach to AEMO's selection of development paths for assessment? Are there additional principles we should consider?*

Delta supports the consideration of non-network options at this stage of the ISP development cycle, when development paths are being examined. Giving stakeholders the ability to provide input on non-network options at this stage ensures that transmission and non-network options are on a truly equal footing and would further enhance technology neutrality.

*Question 7: What are stakeholders' views of characterising the ISP counterfactual development path? Should replacement and small augmentation expenditure be included or excluded?*

Delta agrees that the inclusion of only committed ISP projects is a robust approach. This should exclude any projects that have not reached final investment decision by the TNSP. Delta does not support the inclusion in the base case of projects that have had development works undertaken in response to prior ISP requirements.

*Question 9: What are stakeholders' views on whether and how AEMO should conduct sensitivity analysis in its ISP process?*

Sensitivity analysis as described in the issues paper is crucial to understanding the robustness of any future scenario. Delta supports the principles outlined in the issues paper but also supports an explicit requirement for AEMO to consult stakeholders in the formation of sensitivities.

*Question 10: What are stakeholders' views on our proposal to provide AEMO with the flexibility to choose its decision making approach(es) to determine the optimal development path, subject to consultation and justification? Does this satisfy the draft rules requirements and sufficiently mitigate the risks of over-investment, under-investment, premature or overdue investment?*



The optimal transmission development path will provide market benefits across the broadest range of future scenarios. The ESB's outlined approach to selecting the preferred development path selects a potentially arbitrary future scenario as the most likely. While this selection is informed by consultation, the selection of a most-likely scenario and accompanying development path increases the risk to consumers if the selected future scenario fails to eventuate.

As the ESB notes in its consultation paper on the draft ISP rules, a probability-weighted approach could obscure the risks of not being prepared for a particular future. However, it also minimizes the risk of preparing for just one future that does not eventuate. A probability weighted approach is preferable for limiting the risk of stranded assets and unnecessarily increasing consumer costs. To ensure that this approach does not obscure the risks of not being prepared for individual scenarios the AER could require that AEMO explicitly identify the potential risks under each scenario and seek to describe potential non-network solutions that could mitigate the risk should the scenario eventuate. This would enable stakeholders to gauge the magnitude of the risks under each scenario with respect to the optimal development path.

*Question 13: What are stakeholders' views on our proposed guidance on non-network options in the CBA guideline?*

The Integrated System Plan process as proposed places TNSPs and transmission solutions well ahead of any others. One of the earliest stages in the process is to identify transmission options available to meet identified needs. Once the draft ISP is published, non-network options can be provided by stakeholders through a consultation process and these must be assessed by the TNSP when carrying out its RIT-T. This requirement to consider non-network options is positive.

However, it would be preferable that non-network options to be considered on an equal footing with network options. For this to occur non-network options should be identified and considered in parallel with network options. This would require non TNSP stakeholders to be involved in the process of identifying options to address identified needs. Delta suggests that, as well as providing a 12 week period following the release of the draft ISP for proponents to suggest non-network options, stakeholders wishing to propose non-network options should be included in the joint planning process.

*Question 14: What are stakeholders' views on our proposed approach to RIT-T application guidance for actionable ISP projects and non-ISP projects?*

The RIT-T process provides robust economic evaluation of transmission projects and is designed to ensure that network developments are economically beneficial to the market. This role must be maintained for non-ISP projects and Delta supports the AER position. In addition, the non-ISP project be cognizant of the impact of actionable ISP projects as there is potential to include benefits from other projects if the RIT-T is poorly framed. This could result in economic harm to consumers and should be recognized in the guidelines and explicitly avoided.

*Question 16: What are stakeholders' views on the scenarios to be considered in RIT-Ts for actionable ISP projects? Would the 'feedback loop' help to overcome any misalignment between the ISP and RIT-T?*

Delta supports maintaining the existing RIT-T requirements as far as possible. If the guidelines are unable to reconcile the existing process with the ISP process regarding scenario weighting, Delta



suggests the work is undertaken to provide transparency to stakeholders about the TNSP's view of the project economics across the range of scenarios considered by AEMO.

To discuss any questions arising from this submission, my contact details are m:0409008161 and email [peter.wormald@de.com.au](mailto:peter.wormald@de.com.au).

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