



ERM Power Limited
Level 3, 90 Collins Street
Melbourne VIC 3000
ABN 28 122 259 223

+61 3 9214 9333
ermpower.com.au

Friday, 26 June 2020

Mr Mark Feather
General Manager, Policy & Performance
Australian Energy Regulator
PO Box 520
Melbourne VIC 3001
ISPGuidelines@aer.gov.au

Dear Mr Feather

RE: Draft guidelines to make the Integrated System Plan actionable

ERM Power Limited (ERM Power) welcomes the opportunity to provide comment to the Australian Energy Regulator (the AER) on the draft Cost Benefit Analysis Guidelines (CBA), draft Forecasting Best Practice Guidelines (FBPG), and draft updated RIT–T instrument and application guidelines which together provide the regulatory oversight of the application of the Integrated System Plan (ISP).

About ERM Power

ERM Power (ERM) is a subsidiary of Shell Energy Australia Pty Ltd (Shell Energy). ERM is one of Australia's leading commercial and industrial electricity retailers, providing large businesses with end to end energy management, from electricity retailing to integrated solutions that improve energy productivity. Market-leading customer satisfaction has fueled ERM Power's growth, and today the Company is the second largest electricity provider to commercial businesses and industrials in Australia by load¹. ERM also operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, supporting the industry's transition to renewables.

www.ermpower.com.au
<https://www.shell.com.au/business-customers/shell-energy-australia.html>

General comments

ERM supports the AER's proposed approach as outlined in the draft Guidelines. We consider that the draft Guidelines establish a sound framework to provide certainty, transparency and accountability for the Australian Energy Market Operator (AEMO), RIT–T proponents, and stakeholders in the long-term interest of consumers.

We are encouraged to see that the AER has taken a principle-based approach in developing the draft Guidelines. The key elements - AEMO flexibility, transparency and stakeholder engagement, rigorous cost benefit analysis, and streamlined regulatory processes - are all reasonable foundations to protect consumers and promote efficient investment.

ERM's response to the Issue Paper supported a more prescriptive Guideline to best mitigate the risk consumers bear if AEMO's selection of an optimal development path proves to be incorrect. While, the draft CBA Guideline provides AEMO with the flexibility around how it identifies optimal investments we are supportive of the AER's

¹ Based on ERM Power analysis of latest published information.



proposed approach for a higher level of prescription around key CBA steps to promote transparency and justification of decisions. We also consider the classification framework around which elements of the CBA and FBPG are binding to be appropriate. ERM strongly discourages against the softening of these, or other, requirements in the Final Guideline.

ERM agrees with the AER that the 'identified need is the reason why an investment in the network is needed.'² We have previously stated that the identified need of investment assessment processes should be clearly linked to the consumer benefit in the guidelines. As such, we are pleased to see the draft CBA set out requirements for AEMO in describing the identified needs for actionable ISP projects. This linkage is integral to ensure consumers do not overpay for transmission network.

Finally, we commend the AER on a well- run consultation process in the development of the draft Guidelines. The AER's considered approach in addressing stakeholder feedback provides a level of confidence in the draft Guideline. It also provides a benchmark for future consultation taken as part of the ISP and development of the transmission network to meet the power system needs.

Please contact me if you would like to discuss this submission further.

Yours sincerely,

[signed]

Libby Hawker
Senior Manager - Regulatory Affairs
03 9214 9324 - lhawker@ermpower.com.au

² <https://www.aer.gov.au/system/files/AER%20-%20Explanatory%20statement%20-%20Draft%20guidelines%20to%20make%20the%20ISP%20actionable%20-%2015%20May%202020%2811045767.1%29.pdf> pg. 38