

ENERGY SECURITY BOARD

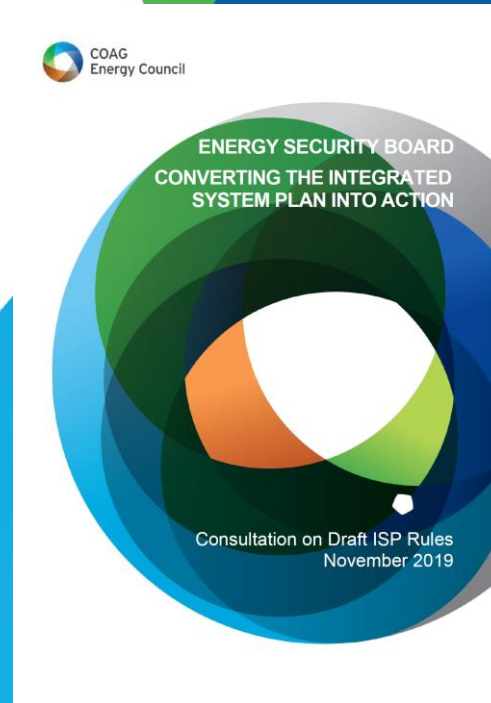
CONVERTING THE ISP INTO ACTION
DRAFT RULES

5 DECEMBER 2019



PURPOSE

The purpose of today's session is to engage with stakeholders on the ESB's draft ISP Rule Changes





AGENDA

Item	Time	Speaker
Welcome	10:00-10:10	David Swift Deputy Chair - ESB
ISP Rules - Overview	10:10-10:30	Donovan Marsh ESB Secretariat
ISP Rules – Q&A	10:30-11:15	Panel
Morning tea	11:15-11:30	
AER Guidelines	11:30-12:30	Richard Khoe AER



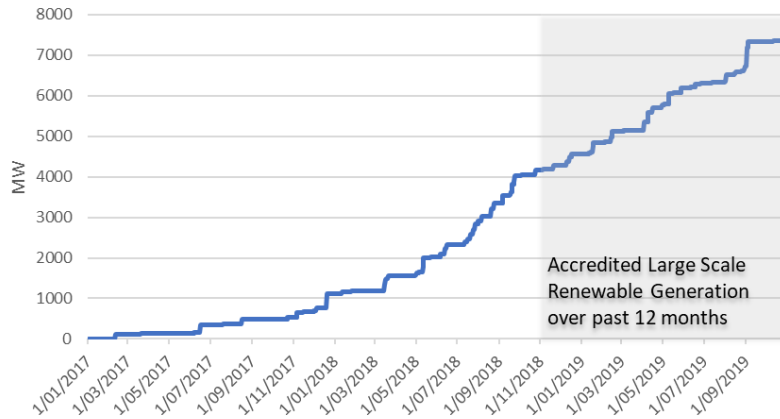
David Swift

**Deputy Chair
Energy Security Board**

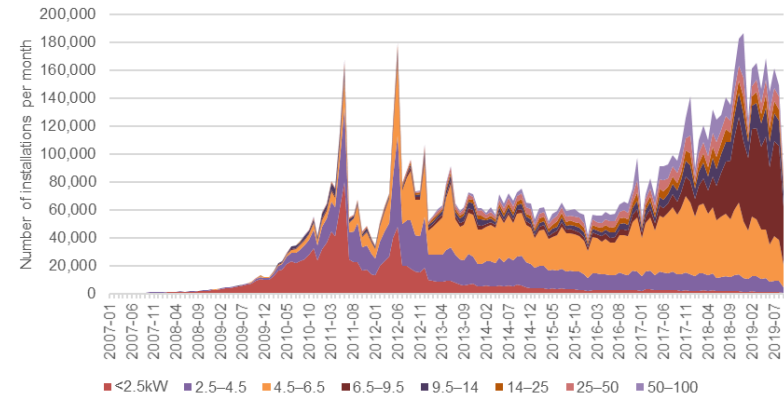


THE NEM IS TRANSFORMING RAPIDLY

Large Scale Generation accredited since 2017

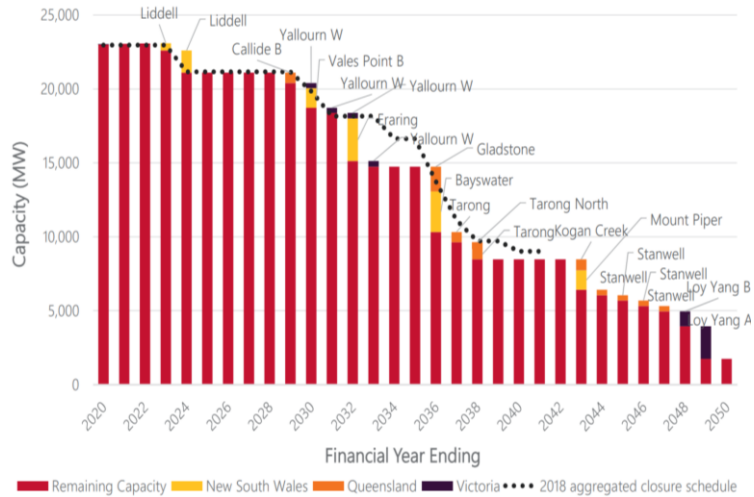


Small scale systems installed per month by capacity

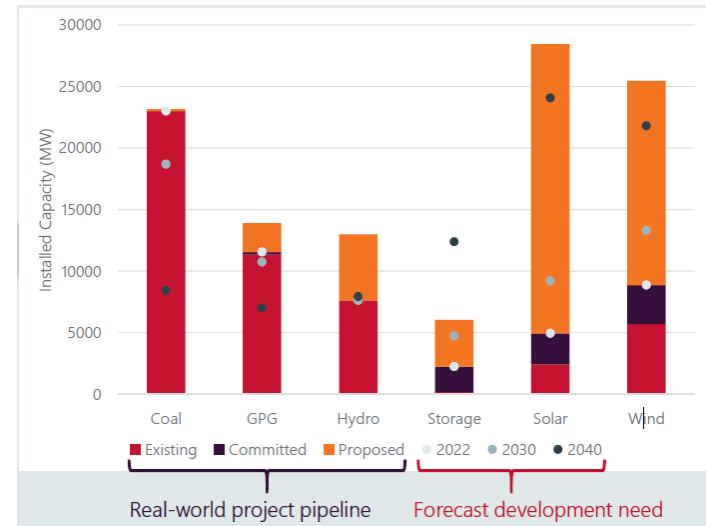




THIS IS EXPECTED TO CONTINUE



* 2019-20 ISP Expected Coal fired Generation Closure Timeframes



* 2019-20 ISP Preliminary Modelling Outcomes

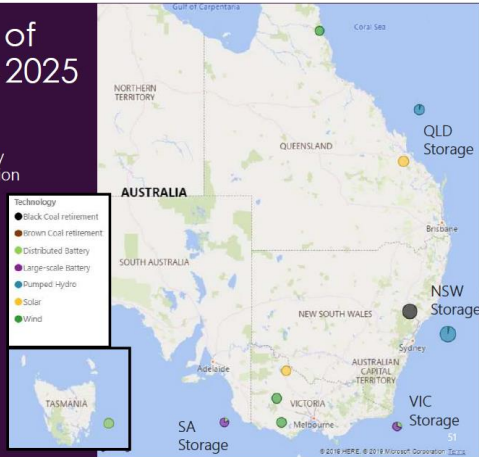


THE SYSTEM NEEDS TO BE PREPARED AND CAPTURE THE BENEFITS OF DIVERSITY

Projected locations of renewable energy - 2025

By 2040:

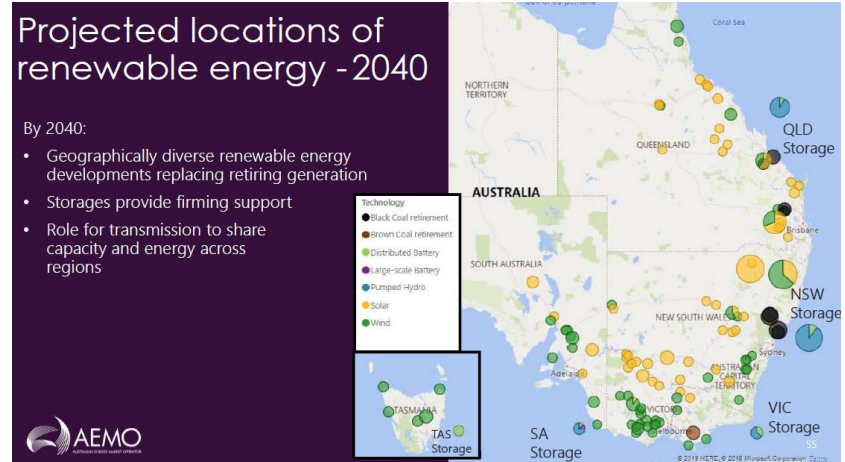
- Geographically diverse renewable energy developments replacing retiring generation
- Storages provide firming support
- Role for transmission to share capacity and energy across regions



Projected locations of renewable energy - 2040

By 2040:

- Geographically diverse renewable energy developments replacing retiring generation
- Storages provide firming support
- Role for transmission to share capacity and energy across regions



ISP RULES - OVERVIEW

1. **Developing the ISP**
2. **Implementing the ISP**
3. **Governance and timelines**
4. **Next steps**

DEVELOPING THE ISP



STAKEHOLDER ENGAGEMENT PROCESS

Preliminary consultation

- Inputs and Assumptions (includes scenario development)
- ISP Methodology
- Consultation paper & final reports

Draft ISP

- Provides draft results of cost benefit analysis including proposed optimal development path
- Call for non network options for actionable ISP projects

Final ISP

- Due every second year by 30 June
- Final results together with AEMO's response to issues raised in submissions
- Triggers RIT-Ts for actionable ISP projects

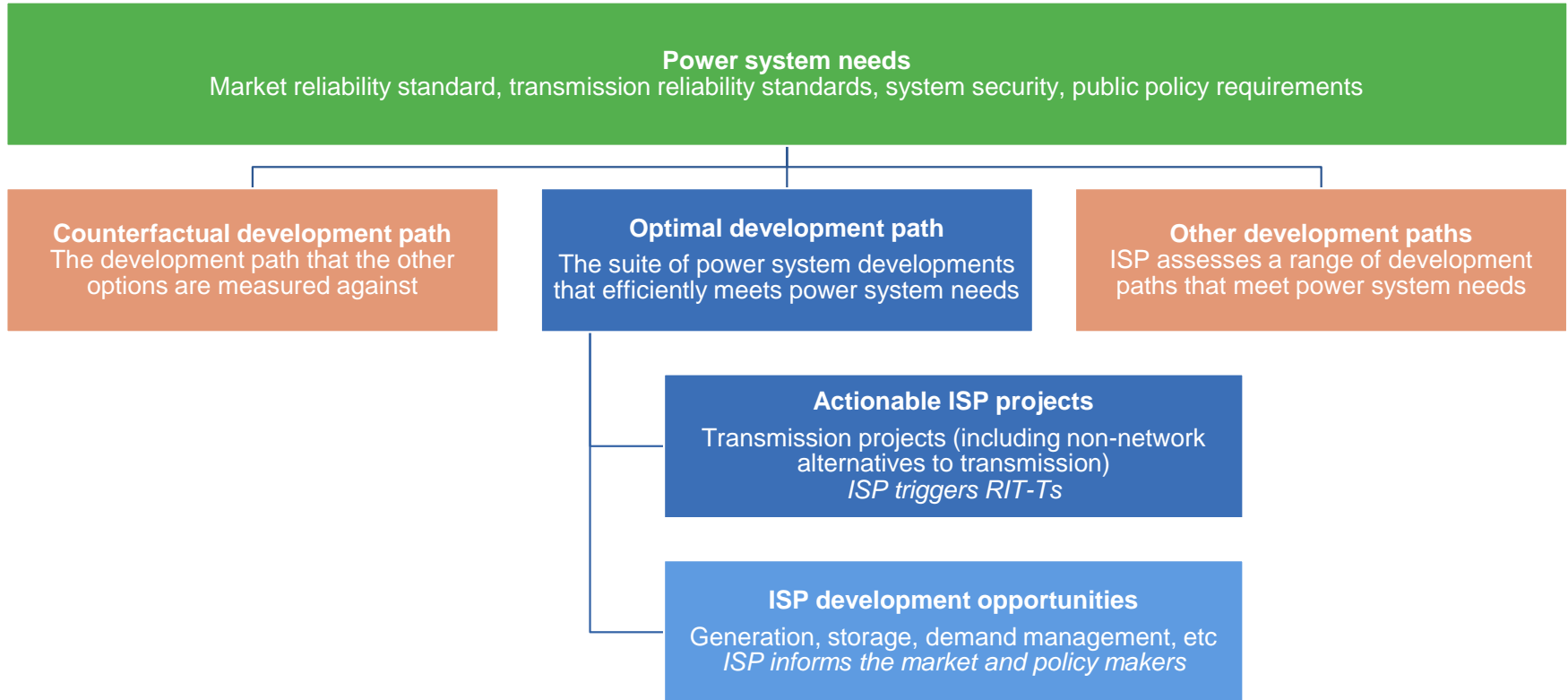
ISP updates

- If circumstances change in a way that is likely to materially affect in-train RIT-T, AEMO may issue an update

Continuous improvement process



ACTIONABLE ISP TERMINOLOGY





ISP COST BENEFIT ANALYSIS

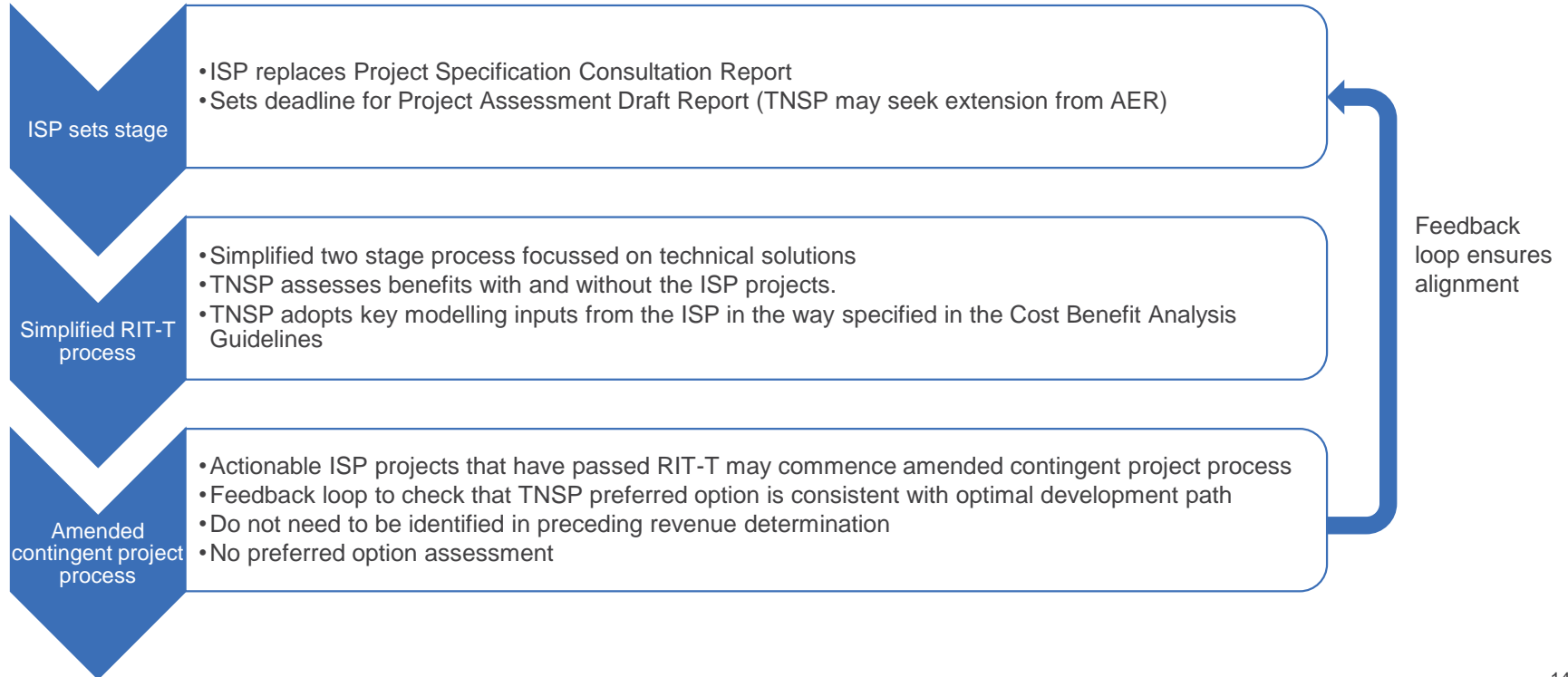
- Examine outcomes across full range of scenarios
- Explore net present value of each development path under each scenario relative to counterfactual
- Optimal development path must yield net benefits in most likely scenario
 - Need not maximise net benefits
- Use of options analysis to retain flexibility

AER Cost Benefit Analysis Guidelines set out framework for how AEMO conducts ISP analysis

IMPLEMENTING THE ISP

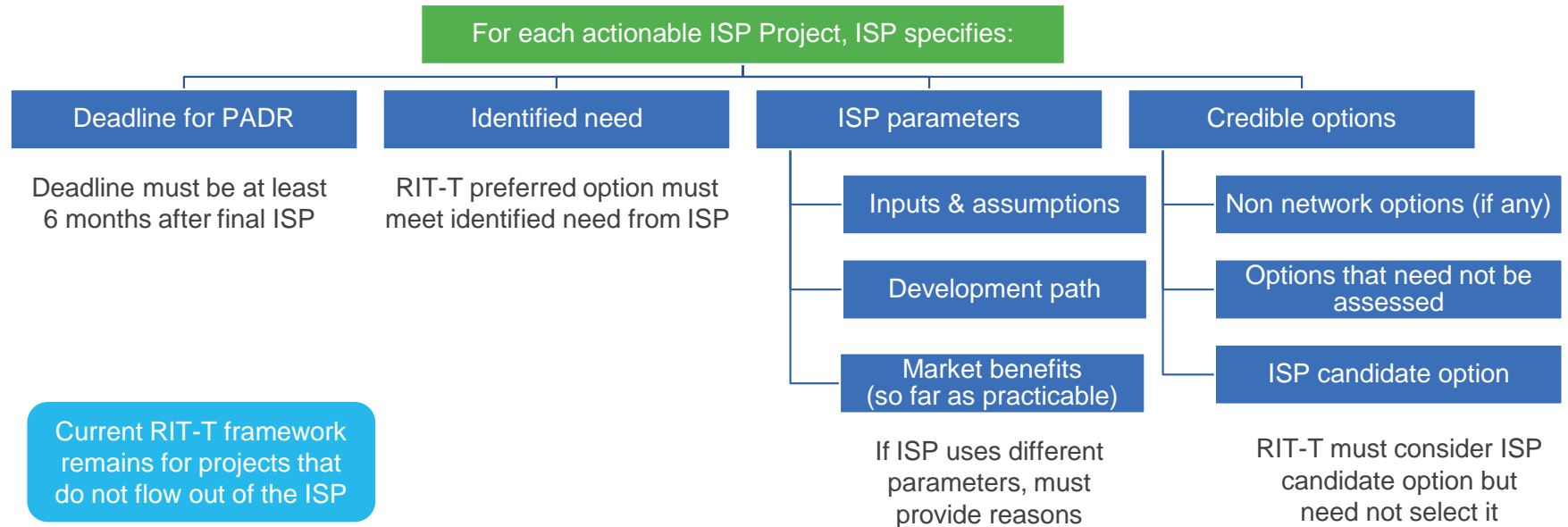


STREAMLINED RIT-T PROCESS AVOIDS DUPLICATION





ISP “SETS STAGE” FOR RIT-T

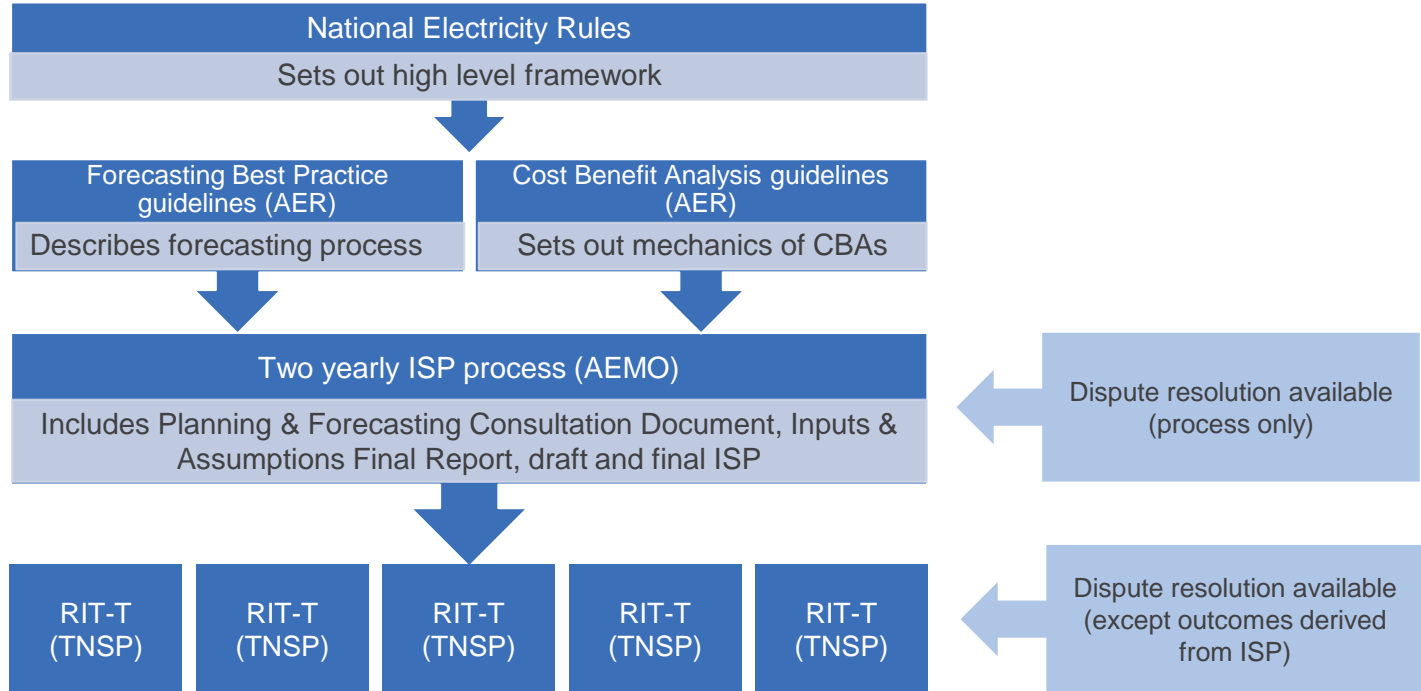




GOVERNANCE AND TIMELINES

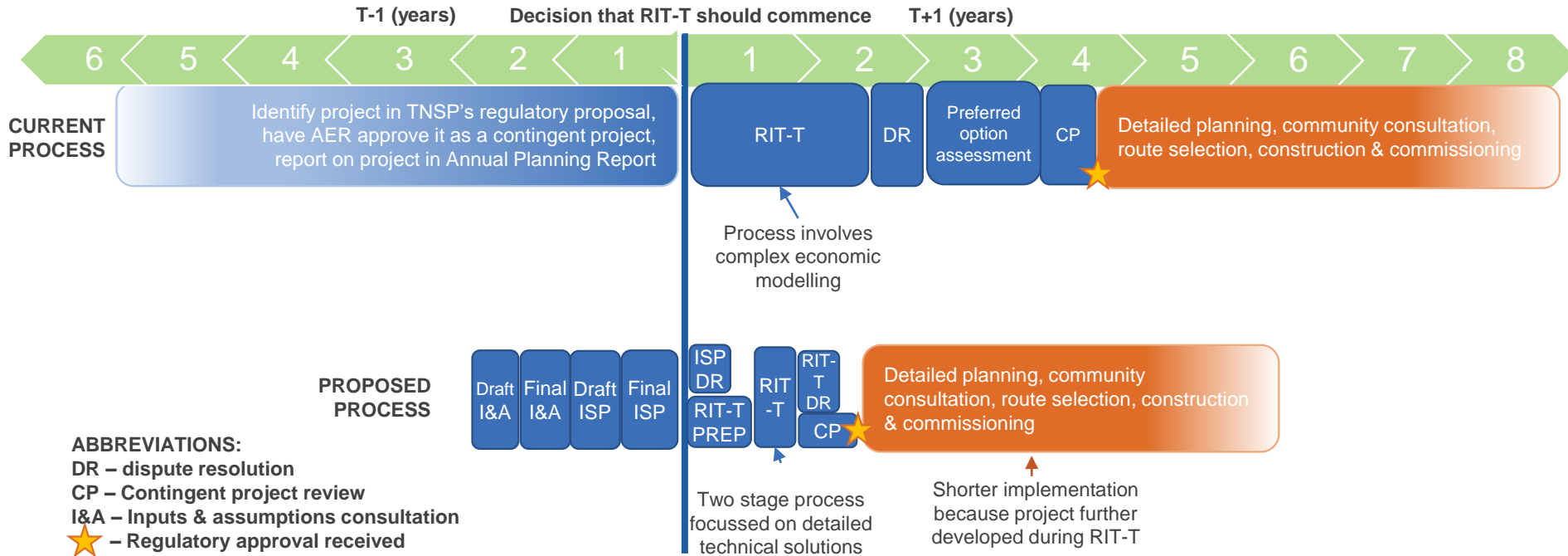


GOVERNANCE FRAMEWORK





COMPARISON OF CURRENT & TARGET TIMELINES



NOTE: Timeline assumes that there is no change to the timeframes as a result of a successful dispute action.



TRANSITIONAL ARRANGEMENTS

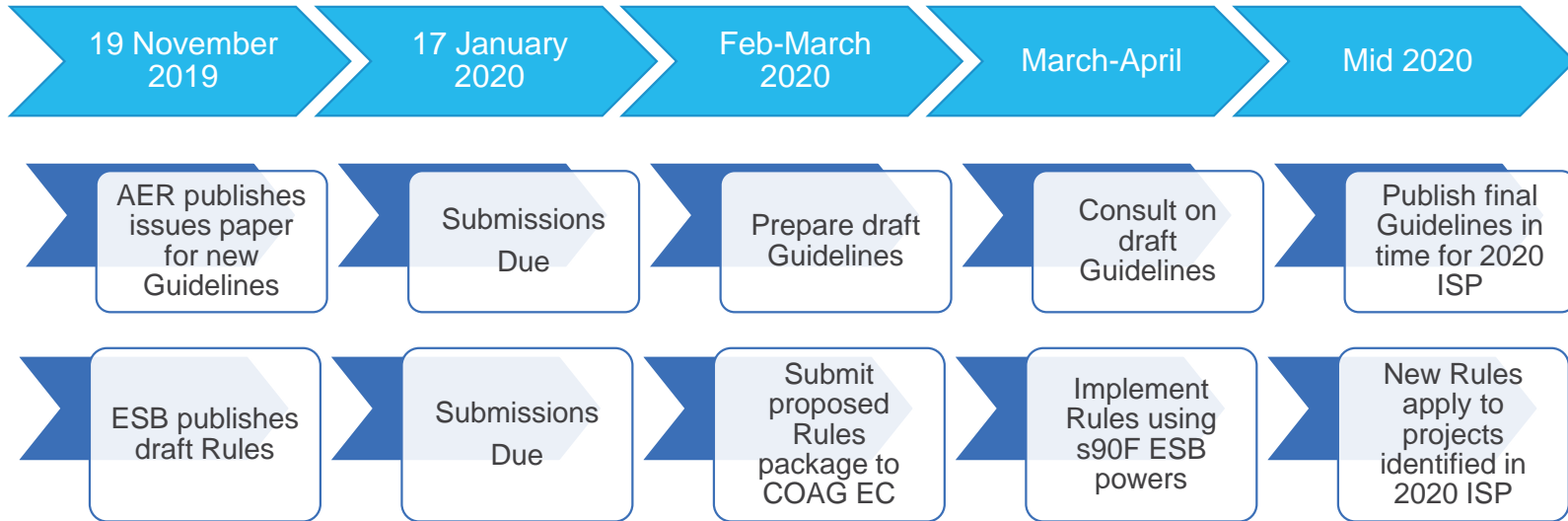
- 2020 ISP process to be deemed to have met the new requirements

New RIT-T framework to apply to actionable ISP projects identified in the 2020 ISP, including some RIT-Ts that have already commenced.

NEXT STEPS



NEXT STEPS



Under NEL s90F process, ESB recommends Rules to COAG EC which can then recommend to the SA Minister that the amending Rule be made.

Q&A

Panel members:

- **David Swift, ESB**
- **Donovan Marsh, ESB**
- **Vishal Ahuja, King & Wood Mallesons**
- **Richard Khoe, AER**
- **Jess Hunt, AEMO**
- **Richard Owens, AEMC**