

7 October 2015

Mr Peter Adams  
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Australian Energy Regulator  
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Lodged by email: [AERinquiry@aer.gov.au](mailto:AERinquiry@aer.gov.au)

Dear Peter

### **2015 Cost Thresholds Review – Draft Determination**

Grid Australia welcomes the Draft Determination from the Australian Energy Regulator (AER) on revised cost thresholds for the Regulatory Investment Test for Transmission (RIT-T).

The AER proposes to increase the cost threshold referred to in clauses 5.15.3(b)(1), (2), (3), (4) and (6) of the National Electricity Rules from \$5 million to \$6 million, and the cost threshold referred to in clause 5.15.3(b)(5) from \$38 million to \$41 million.

Grid Australia supports these proposed adjustments noting that they have been derived using the same methodology adopted by the AER in its 2012 review.

We also note the AER has, for the first time, reviewed the thresholds for the RIT-D.

The Rules, at 5.16.1(c)(3) and 5.17.1(c)(3), state that the RIT-T and RIT-D must “be capable of being applied in a predictable, transparent and consistent manner”.

While use of the same methodology across transmission and distribution supports this principle, the actual outcome is a difference in cost thresholds, with the trigger for application of the RIT-D proposed to remain at \$5 million, while for the RIT-T this trigger increases to \$6 million. This discrepancy is due solely to the fact that the RIT-D has been in operation for less time than RIT-T.

Grid Australia considers there is merit in both RIT-T and RIT-D having the same cost threshold trigger of \$6 million.

Consistency is important for joint planning. The same cost threshold would encourage a more integrated approach between transmission and distribution, and simplify consultation with stakeholders, and in particular reduce potential confusion on the part of proponents seeking to offer non-network solutions.

We trust that these comments are helpful to the AER.

Please do not hesitate to contact me on (08) 8404 7983 or via e-mail at [Korte.Rainer@electranet.com.au](mailto:Korte.Rainer@electranet.com.au) if you wish to discuss any matter further.

Yours sincerely



Rainer Korte  
**Chairman**  
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