



Meridian Energy Australia Pty Ltd
Level 15, 357 Collins Street
Melbourne VIC 3000

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Mr Mark Feather
General Manager, Policy and Performance
Australian Energy Regulator
GPO Box 520
Melbourne, VIC, 3001

Email: ISPGuidelines@aer.gov.au.

Dear Mr. Feather

Guidelines to make the Integrated System Plan actionable

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (Powershop) thanks the Australian Energy Regulator (AER) for the opportunity to provide comments on the Guidelines to make the Integrated System Plan actionable (The Guidelines).

Meridian believes the actioning of the Integrated System Plan (ISP) is fundamental to ensuring a smooth transition to a decarbonised and largely distributed electricity system in Australia over the upcoming decade. We also believe that ensuring Group 1 projects as identified by the ISP are developed and implemented in a short timeframe, will guarantee the secure and safe operation of the power system. This reform package is particularly important given the Coordination of Generation and Transmission investment reform process will no longer deliver any meaningful action with respect to the development and implementation of new transmission networks, to areas where low cost renewable energy is likely to be generated. Below are a the issues we have identified in the discussion papers contained in the consultation package.

AER questions

(a) Do you agree with our proposed position in developing the guidelines?

As outlined above MEA Group agrees that the need for this reform is warranted and required to ensure a smooth transition to a distributed, decentralised electricity system that is likely to materialise over the coming decade, as thermal generators continue to retire at the end of their useful design lives. The Guidelines will ensure that where there is a public benefit as demonstrated under the revised Regulatory Investment Test – Transmission (RIT-T) process, the project should proceed without delay to ensure alignment between new transmission projects and new low cost generation coming online, to minimise any wholesale price volatility as thermal generators continue to retire.

(b) Do you agree with the level of prescription we intend to provide in the guidelines?

MEA Group recognise there is a certain level of prescription required to ensure the Guidelines are meaningful and effective. However, we will continue to hold the view that minimum regulatory intervention into the electricity market is a preferred outcome for all stakeholders. We refer to the AER's statements under Section 3.2.1 of the

Cost Benefit Analysis guidelines in respect of the discount rate, noting that the selection of a discount rate for non-network options should carefully consider the extent to which the discount rate applied is above the lower boundary (i.e. an equivalent AER-regulated cost of capital). As this point is included as discretionary guidance for the Australian Energy Market Operator (AEMO), consultation with experts and/or industry should be sought when determining an appropriate discount rate, and what should be considered a reasonable premium above the lower boundary, assuming such projects may not be developed as part of a network's Regulatory Asset Base.

(c) Do you have anything to add to the thinking and analysis that informs how we propose to deliver the guidelines to make the Integrated System Plan actionable?

MEA Group is generally supportive of the increasing recognition of non-network options and the requirement for AEMO to engage with non-network proponents, as well as ensuring non-network options are appropriately considered (where they are not in Transmission Annual Planning Reports) in the ISP process. Early engagement and joint planning through AEMO's and the Transmission Network Service Provider's planning cycles will play an increasingly important role in future ISPs. We believe it may be beneficial to establish a centralised means for which RIT-T's are communicated, and responses received, for non-network proponents.

For example, rather than RIT-T proponents registering and receiving individual notification of actionable ISP projects via all five TNSPs and AEMO separately, a centralised process would allow AEMO to keep abreast of non-network options and RIT-T proponents' activities and also help shape AEMO's views and understanding of non-network solutions. This is particularly the case for rapidly developing technologies and their evolving costs and benefits.

If you have any queries or would like to discuss any aspect of this submission, please do not hesitate to contact me.

Yours sincerely



Angus Holcombe
Head of Asset Development
Powershop Australia Pty Ltd
Meridian Energy Australia