



7 September 2018

Mr Peter Adams  
General Manager, Wholesale Markets  
Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3001

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

Dear Mr Adams

## **AER DRAFT DETERMINATION - GUIDELINES FOR THE REGULATORY INVESTMENT TEST (RIT)**

Origin Energy Limited (Origin) welcomes the opportunity to comment on the AERs draft guidelines for the regulatory investment test.

### **Use of the Integrated System Plan (ISP)**

Origin welcomes the AERs clarification of how external documents such as the ISP are used in articulating an identified need and defining credible options. We believe it is important that any RIT examine all viable options, both network and non-network, that can deliver outcomes that are in the best interests of consumers. As such, it is also pertinent that RIT proponents examine all credible options not just those identified in the ISP. A clarifying sentence, under Clause 3.4.1, would be welcome that states that RIT proponents should not solely rely on the ISP for identifying credible options to satisfy the identified need.

We also support guidance being given that the most up-to-date information should be used where data has been superseded or changed. This ensures that older assumptions and datasets are not used to justify augmentations.

The Guidelines state that there is a reasonable possibility that the NER and NEL will need to be amended to give AEMO the formal function to annually publish an ISP. If this occurs, Origin supports the AER recommendation that this should trigger a redrafting of the Guidelines with updates clarifying how any new roles and responsibilities of the ISP are to be used.

### **Accounting for external funds**

The amended guidelines outline that funds from an 'other party to a participant' should be accounted for as a reduction in the costs of the option. Origin believes that it would be prudent to assess a RITs economic benefit by undertaking the analysis without an external funding source. Undertaking an analysis without the external funding will highlight the true costs of the project, determine if the project is economically viable and maintain the integrity of the RIT.

If a RIT is economically sound without external funding, then the funding party (e.g. a government) would have avoided extra investment. If the project is not economically sound without external funding, the RIT analysis will provide the third party with a greater understanding of the investment required to make it economic and allow them to make better, more informed, investment decisions.

### **Environmental and other policies**

The RIT application guidelines should be sufficiently broad to allow proponents to consider new energy policies when they arise and assess these policy developments against the identified need. Origin is supportive of the wording in the guidelines that details how energy policies should be accounted for,

what effect they will have on their identified needs, and how they might impact the ranking of preferred options that have been identified in the RIT.

Given the recent changes in the national energy policy landscape, the guidelines should clarify what actions a proponent needs to take if a proposed policy becomes invalid or withdrawn. It is important for participants to assess the possibility of a withdrawn policy and how that might impact preferred options and the economic case for a proposal to go ahead. Additionally, if an energy policy has been withdrawn, this should trigger a re-evaluation of the options put forward in the RIT.

#### **Treatment of high impact, low probability (HILP) events**

Origin agrees that a high impact low probability event needs to include a reasonable estimate of the probability of the event occurring. This would allow for scrutiny both by interested parties and the AER throughout the consultation process.

In Origin's previous submission we highlighted the AEMO's role in determining new 'protected events' under the Rules. This allows AEMO to constrain parts of the network to reduce the severity of a HILP event. The AER should take this into account when determining if the estimate provided by the proponent is appropriate.

Origin also supports the use of the, soon to be updated, value of customer reliability numbers in measuring the potential economic impact of an event and consumers' willingness to pay for augmentations.

#### **Clearer guidance when Networks cancel a RiT**

As we indicated in our previous submission, Origin supports the AER's decision to expect RiT proponents to clearly set out reasons that lead to the cancellation of a RIT. This information can better help inform participants why a RIT did not proceed, and help others who are undertaking a RIT to learn from any issues that were identified.

Should you have any questions or wish to discuss this information further, please contact James Googan in the first instance via email [james.googan@originenergy.com.au](mailto:james.googan@originenergy.com.au) or phone, on (07) 3512 4138.

Yours sincerely,



Steve Reid  
Group Manager, Regulatory Policy  
Origin Energy