

5 February 2021



Mr Mark Feather
General Manager
Policy and Performance
Australian Energy Regulator

Submitted via email: TIRreview@aer.gov.au

Dear Mr Feather,

AER: REGULATION OF LARGE TRANSMISSION PROJECTS

Origin Energy Limited (Origin) welcomes the opportunity to provide comments to the AER on its draft guidance note for ISP projects.

We welcome the additional layer of transparency and consultation that will likely result from the implementation of the contingent project application, staging and ex-post measures guidance note. The guidance note will likely improve the regulatory process for large projects with uncertain costs (such as Project EnergyConnect), particularly around how costs are estimated, risks managed and updates communicated to the public.

Origin understands that the AER will focus on broader issues arising from large transmission projects once it has completed its work on the guidance note. We look forward to working with the AER on these issues and note the following areas of interest:

- **Transmission costs** – the costs and accuracy of transmission projects are concerning, given that the associated risks are often borne by consumers. We note the work that AEMO is doing to improve how the costs of future Integrated System Plan (ISP) projects are projected. However, the AER could broadly consider how costs could be better incorporated into the transmission planning, regulatory investment test for transmission (RIT-T) and approval process to minimise the risk of overruns and net benefits being eroded.
 - One example could be to require the RIT-T to be updated if transmission cost estimates rise above a certain threshold during the regulatory and approval process.
 - Another example could be to require RIT-Ts that have been completed well ahead of construction dates to be checked and updated if the costs are no longer accurate. Similarly, the AER could examine whether RIT-Ts could be required to be carried out closer to when augmentation is required. Concluding a RIT-T too early may lead to sub-optimal outcomes for consumers, particularly for projects that do not yet have an optimal timing.
- **Assessment of non-network options** – the AER should assess if non-network options are being given equal treatment under the existing framework, particularly in light of the variability of transmission costs for large projects. There is no formal mechanism to reassess the role of non-network options in contributing to a credible option even when the costs of the network solution have risen substantially.

Should you have any questions or wish to discuss this submission further, please contact Sarah-Jane Derby at Sarah-Jane.Derby@originenergy.com.au or by phone, on (02) 8345 5101.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Steve Reid".

Steve Reid
Group Manager, Regulatory Policy