

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

By email: RIT@aer.gov.au

5 April 2018

Dear Mr. Adams,

Re: Submission to the AER's review of the application guidelines for the regulatory investment tests, Issues Paper

Spark Infrastructure welcomes the opportunity to contribute to the Australian Energy Regulator's (AER's) review of the application guidelines for the regulatory investment tests.

Spark Infrastructure is listed on the Australian Stock Exchange (ASX) and is a leading Australian investor in Australian electricity transmission and distribution network service providers (NSPs) who transport electricity to customers in South Australia, Victoria and NSW, and between States. Our investment portfolio includes the following interests:

- a 49% interest in SA Power Networks (South Australia);
- a 49% interest in CitiPower and Powercor (together known as Victoria Power Networks, in Victoria); and
- a 15% interest in TransGrid (NSW).

Spark Infrastructure and its security holders provide long-term equity capital to these businesses to build and maintain the networks required to deliver critical electricity services to customers whilst maintaining the high standards of safety, reliability, security of supply and efficiency demanded by customers and regulators. These networks, and their expansion and evolution, are critical to supporting the changing mix of generation and distributed energy resources as the market evolves from thermal to renewable generation.

In providing our response, it is important to recognise the challenge for investors to execute strategic investment plans and to enter into efficient funding arrangements when they are dependent on subsequent decisions by third parties. Providing clarity about how the views of different regulators can be reconciled and aligned will improve certainty, reduce the cost to customers and ensure efficient and timely investment in infrastructure.

With that objective in mind, it is essential that the Australian Energy Market Operator's Integrated System Plan (ISP) and RIT for transmission (RIT-T) processes be aligned and work together to facilitate required critical interconnections, and the timely delivery thereof. This will support desired levels of security and reliability being delivered at least cost.

In order to achieve this, we recommend that the RIT-T Guideline should do the following:

- Accept the scope of options considered in the development of the ISP as being appropriate and sufficient to satisfy the requirement for "all credible options" (clause 5.15.2 of the Electricity Rules) to be considered in a RIT-T. Any additional options identified or assessed by the Transmission NSP could be included as appropriate but should not be required.
- Accept common assumptions for addressing uncertainty and valuing costs and benefits adopted in the ISP. Again, modifications may be appropriate where new or updated information becomes available but if common or previously accepted assumptions are relied upon, these should not be open for challenge by other stakeholders.

- Where a priority project identified in the ISP is subsequently assessed in a RIT-T, the process should be limited to the assessment of the efficiency of delivering the project, rather than reassessing the efficiency or nature of the option chosen.
- Engagement or evaluation that can be demonstrated to have been carried out in the development of the ISP should not be expected to be duplicated.

Spark Infrastructure has also made a submission to AEMO's process for developing the ISP similarly proposing alignment between ISP and RIT-T processes to facilitate efficient and effective processes for timely investment in transmission interconnectors. An integrated, strategic and objective based ISP is expected to improve investment certainty and efficiency in the electricity supply system to benefit customers. In our view, there must be alignment of the fundamental elements of the role and process of the ISP and RIT-T for these benefits to be realised.

Spark Infrastructure also supports progress in pricing reform to ensure that proper price signals exist in the market and which therefore should be adopted in investment evaluation processes to deliver the most efficient mix of new technology or investment.

Together, these reforms will have the potential to reinforce stability and certainty in the regulatory system that is needed for to support prudent investment in the energy industry (and networks) for the benefit of consumers.

Please contact myself or Sally McMahon on 0421 057 821 with any follow up questions or discussion regarding this submission.

Yours sincerely,



Rick Francis
Managing Director & CEO
Spark Infrastructure