

**Review of the application guidelines for the regulatory investment tests**

**Submission to AER**

April 2018

# Total Environment Centre’s National Electricity Market advocacy

Established in 1972 by pioneers of the Australian environmental movement, Total Environment Centre (TEC) is a veteran of more than 100 successful campaigns. For nearly 40 years, we have been working to protect this country's natural and urban environments: flagging the issues, driving debate, supporting community activism and pushing for better environmental policy and practice.

TEC has been involved in National Electricity Market (NEM) advocacy for 14 years, arguing above all for greater utilisation of demand side participation — energy conservation and efficiency, demand management and decentralised generation — to meet Australia’s electricity needs. By reforming the NEM we are working to contribute to climate change mitigation and improve other environmental outcomes of Australia's energy sector, while also constraining retail prices and improving the economic efficiency of the NEM — all in the long term interest of consumers, pursuant to the National Electricity Objective (NEO).

**Review of the application guidelines for the regulatory investment tests**

TEC has not been involved in this review to date, and due to resource constraints is confining itself to several general issues in this brief submission. Our overarching concern is that the outcome of this process should facilitaite, or at least not hinder, the integration of large scale and distributed renewable energy generation and demand management/response.

In principle we support the submissions to this process from TransGrid and PIAC. We would draw the AER’s attention to the following issues:

1. *Renewable Energy Zones*

TEC supports the concept in AEMO’s Integrated System Plan of renewable energy zones (REZ), on the proviso that if is formally adopted by the COAG Energy Council, it does not lead to speculative investment in transmission infrastructure by TNSPs that may lead to unneccesary costs to consumers and stranded assets if market conditions change (for instance, in favour of more DER).

We concur with TransGrid’s proposal that in developing new RIT guidelines, the AER should clarify how the RIT-T could allow the ISP’s REZ to be considered as equivalent to the current NTNDP in respect of establishing an indentified need for new transmission infrastructure. This would obviate the need for a rule change to allow TNSPs to develop new infrastructure on a system-wide, integrated (rather than ad hoc, as at present) basis.

1. *Non-network options*

The fact that only one of 17 RIT-Ts to date has resulted in a TNSP choosing a non-network option points to the ongoing problem of networks preferencing capex solutions for emerging constraints and opportunities and replacement needs. Ideally, TEC would prefer for non-network solutions to be the default outcome, with networks needing to explicitly justify the choice of a network solution. However, this would probably require a rule change. In lieu thereof, we look forward to the AER proposing solutions to this problem under the current rules.

We are also concerned that (whether deiberately or not) some networks have in the past made it difficult for non-network proponents to satisfy their requirements – eg, by requiring onerous guarantees of availability.

We concur with the AER that it should provide “clearer guidance on how distribution businesses can best use their non-network options reports and non-network screening requirements to engage with non-network service providers.” This could include being more proactive in maintaining a Register of Interested Parties and advertising emerging constraints on an annual basis – ie, prior to the formal commencement of a RIT process.

1. *Thresholds*

TEC argued (unsuccessfully) during the repex rule change process for the materiality thresholds for RITs to be reduced to around $1 million, possibly with projects between $1 million and $5 million being subject to a truncated, mini-RIT. This argument has only grown stronger with the recent growth of DER, which offer potentially lower cost solutions to network constraints and replacement needs. Alternately, as PIAC argues, NSPs should be required to aggregate similar projects to see if they meet the RIT threshold.

1. *Consumer engagement*

TEC concurs with the CCP that consumer engagement in RITs has been inadequate. They have been almost exlusively been run by industry incumbents for industry incumbents. Without wanting to add to the resourcing crisis curently facing most organisations involved in consumer advocacy, at the very least networks should, at the outset of every RIT, flag this to every consumer advocate it deals with in relation to other regulatory processes and offer them the opportunity to participate in informal consultations and make formal submissions. It should then be required to inform the AER as to the engagement steps it has taken and how it has incorporated feedback into the outcome of the RIT process.

Yours sincerely,



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