

17/01/2020

Mr Mark Feather
General Manager, Policy and Performance
Australian Energy Regulator

Lodged by email: ISPguidelines@aer.gov.au

Dear Mark,

Guidelines to make the Integrated System Plan actionable issues paper submission

We welcome the opportunity to respond to the Australian Energy Regulator's (AER) "Issues Paper – Guidelines to make the Integrated System Plan actionable", published in November 2019 (**Issues Paper**).

TransGrid is the operator and manager of the high voltage transmission network connecting electricity generators, distributors and major end users in New South Wales and the Australian Capital Territory. TransGrid's network is also interconnected to Queensland and Victoria, and is instrumental to an electricity system that allows for interstate energy trading

Under the draft actionable Integrated System Plan (ISP) changes to the National Electricity Rules (NER), the AER is required to develop the following ISP guidelines:

- > cost benefit analysis guideline (**CBA guideline**), and
- > forecasting best practice guideline.

The AER's Issues Paper sets out its initial views on these guidelines and seeks input from stakeholders to assist it develop these guidelines concurrently with the development of actionable ISP rules.

The effective actioning of the ISP is critical to the national electricity market (NEM) as it has the potential to facilitate the efficient and timely development of nationally strategic transmission infrastructure, resulting in significant market benefits and lower price outcomes for consumers. We urge policymakers to work together to implement the changes needed and provide a stable policy and regulatory environment that encourages the required investment.

We support the AER's consultative approach to the development of the guidelines and support the views set out in the Energy Networks Australia submission which we have contributed to.

We make the following comments on the approach to the cost benefit analysis guideline.

The approach in the AER's cost benefit analysis guideline could result in a misalignment between the outcomes in the ISP and the subsequent regulatory investment test for transmission (RIT-T) by the transmission network service provider (TNSP). It is important that there is consistency between the assessment approach for the ISP and the later RIT-T for actionable ISP projects, to ensure coherency between the outcome of the RIT-T and the ISP assessment approach so that the confirmation 'feedback loop' with AEMO is satisfied and the ISP actionable process is effective.

In particular, we consider it is particularly important that the cost benefit analysis guidelines do not unduly restrict the discretion AEMO is afforded by the draft ISP Rules to consider a wide range of matters, including High Impact Low Probability (HILP) events and 'regret', when determining the optimal development path.

In addition we note that the AER's initial approach to its cost benefit analysis guidelines would not allow for the full value of energy zone transmission investments to be considered by a TNSP. We recommend that modelled generation for an energy zone transmission investment be allowed to be in the base case of a RIT-T assessment for both actionable ISP projects and non-ISP projects. This is critical for the delivery of efficient transmission investment in the NEM.

We appreciate the opportunity to comment on the AER's issues paper and look forward to engaging with the AER and other stakeholders further on this important project. If you would like to discuss this submission, please contact Catriona Webster, Head of Public Policy on 02 9284 3147 or Neil Howes, Regulatory Affairs Manager, on 02 9284 3748.

Yours faithfully

Stephanie McDougall

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Head of Regulation