

20 February 2020

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Dear Alex

## **AEMO Draft 2020 Integrated System Plan**

Energy Networks Australia welcomes the opportunity to respond to the Australian Energy Market Operator (AEMO) on the Draft 2020 Integrated System Plan (ISP) consultation.

Energy Networks Australia is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

Given that our transmission members will provide more detailed feedback separately, this submission is intended to reinforce a number of overarching issues for Transmission Network Service Providers (TNSPs).

Renewable generation is often built in remote locations and transmission is essential to enable the clean energy it produces to be delivered to customers. More transmission infrastructure and interconnection between states is essential to support renewable generation, keep electricity reliable and link markets to keep customer costs down. A robust integrated system plan and TNSP regulatory investment test are both important to ensure that consumers have confidence in the plan and the individual transmission investments.

### ***Consultation***

Energy Networks Australia acknowledges the improvements AEMO has made to stakeholder engagement and consultation in developing the Draft 2020 ISP. Further developing the consultation process is warranted given the significant transmission infrastructure investment proposed in the plan. It is important that AEMO's ISP development processes are transparent to enable meaningful consultation.

The stated purpose<sup>1</sup> of the ISP is to develop a whole of system plan for the efficient development of the power system over the next 20 years at least, with the long-term interests of electricity consumers in mind. As consumers will ultimately pay for the investment associated with this plan, it is critically important that all stakeholders have confidence that the optimal development path selected is robust.

TNSPs have proposed a number of ways in which confidence in the ISP could be enhanced, including through the adoption of additional guidance and measures in the Rules and the Australian Energy Regulator's Guidelines (see Energy Networks Australia's recent submissions on the actionable ISP framework)<sup>2</sup>.

### ***Regulatory Investment Tests (RIT-Ts)***

Energy Networks Australia seeks to reinforce that while a primary focus of the ISP is to identify future system needs and AEMO will incorporate the first stage of the Regulatory Investment Test for Transmission (RIT-T) (Project Specification Consultation Report) into future ISPs, TNSPs will necessarily continue to provide significant input, analysis and support to AEMO in conducting its analysis. To be clear, this does not mean that TNSPs will duplicate AEMO's analysis. TNSPs will also retain accountability for undertaking the Draft and Final Report stages (ie. the Project Assessment Draft Report and Project Assessment Conclusions Report) of the RIT-T and ultimate accountability for making the investment decision. The final ISP should be prepared taking into account and facilitating the subsequent review phases to be conducted by TNSPs (as proposed under the Energy Security Boards (ESB) ISP Rules package). Throughout the RIT-T / cost benefit process, once the need has been identified, the inputs, options and costs to address the need are tested to ensure they are rigorous and efficient. In doing so, TNSPs will continue to draw upon their detailed knowledge, experience and expertise in the assessment and implementation of projects in their respective operating environments.

### ***Cost Allocation***

The ESB has been tasked with developing appropriate options to allocate the cost of interconnectors. This is due to the fact that interconnectors can provide benefits to customers beyond the state in which the primary investment may be undertaken. This work is directly relevant to providing the market with greater confidence on how the significant level of transmission investment flagged in the Draft 2020 ISP may be borne by consumers. On this matter, Energy Networks Australia considers that this work must at least consider an option based on beneficiaries-pays.

### ***'Shovel Ready' Projects***

The Draft 2020 ISP provides a list of:

- » Group 1 projects that are actionable, near term grid projects;

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<sup>1</sup> In the ESB actionable ISP draft rules

<sup>2</sup> Energy Networks Australia response to the ESB, Converting the Integrated System Plan into Action: Consultation on Draft ISP Rules, 17 January 2020 and Energy Networks Australia response to the AER, Guidelines to make the Integrated System Plan actionable, 17 January 2020

- » A Group 2 project that is actionable; and
- » Group 3 projects which are future grid augmentation projects.

The Draft 2020 ISP identifies a further category of Recommended Projects in Group 1 that are not yet actionable, Project Marinus is the only project in this category. Energy Networks Australia understands that AEMO has identified this project category with the intent that TNSPs continue to work on these Recommended Projects. In particular, that TNSPs progress designs and various approvals to get them 'shovel ready' in the event the project is identified as actionable in a subsequent ISP, or appropriate triggers once met, will enable timely delivery.

Energy Networks Australia understands the desire for such projects to be shovel ready, given the view on the timing of the investment need is uncertain. However, as identified in relation to priority projects being actioned from the 2018 ISP, there are costs associated with progressing projects to this stage and it is essential that the National Electricity Rules allow TNSPs to recover these costs. Energy Networks Australia does not consider that the ISP draft rules provide clarity on how cost recovery for major transmission projects that are broken into stages will be dealt with under the regulatory framework.

### ***Government Policy***

Federal and State government policies on matters such as renewable energy targets and climate change can have a significant impact on the inputs and scenarios considered in the ISP. Recent examples include announcements in relation to underwriting new generator investments, the NSW Government's Electricity Strategy which includes construction of a renewable energy zone in the Central-West region of NSW in 2022 and Victorian Government proposals to modify how elements of the National Electricity Rules associated with investments operate in Victoria.

Energy Networks Australia encourages AEMO to clearly identify whether and how these announcements have been taken into account in the Final 2020 ISP. In particular, it would be useful for TNSPs and are other stakeholders if AEMO describe the impact their inclusion or otherwise has had on the optimal development path as well as the timing of planned projects in the Final 2020 ISP. From a practical perspective, this clarification should help to avoid or minimise any potential disruption to subsequent RIT-T processes.

Should you have any queries on this response please feel free to contact Verity Watson, [vwatson@energynetworks.com.au](mailto:vwatson@energynetworks.com.au).

Yours sincerely,



Andrew Dillon

Chief Executive Officer