

21 June 2019

Dr Kerry Schott AO
Chair
Energy Security Board

Lodged via email: info@esb.org.au

Dear Dr Schott,

CONVERTING THE INTEGRATED SYSTEM PLAN INTO ACTION: CONSULTATION PAPER

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in renewable energy and energy storage along with more than 6,000 solar and battery installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC welcomes the opportunity to provide comment on the Energy Security Board's (ESB's) consultation paper on converting the Integrated System Plan (ISP) into action. The clean energy industry has long supported the development of the ISP and the subsequent action plan as it endeavours to minimise costs while meeting the physical requirements of the system as ageing, large generators retire and new generation enters the system.

The CEC is broadly supportive of the proposed governance framework and the system wide planning model outlined in the consultation paper. The high-level framework provides a suitable mechanism to guide the development of the ISP and progress Transmission Network Service Provider (TNSP) projects through rigorous assessment. However, as a principle, the ISP should not be seen as final 'sign off' on transmission development. TNSPs should retain the role of undertaking detailed assessment of individual projects to optimise the identified projects and progress the approval of individual projects.

We would like to make the following comments specific to each of the key issues for consultation.

Extent to which ISP deadlines are prescribed in the rules

The CEC supports the proposed publication process of at least every two years and the intention to allow for some flexibility in the publication of the ISP. However, we suggest that the timeframes for publication be fixed in the National Electricity Rules (NER) to provide certainty to industry, in particular to the TNSPs for the preparation of Transmission Annual Planning Reports (TAPRs). Including dates for key milestones may also allow the regulatory investment tests for transmission (RIT-T) processes to be aligned. Allowing for some flexibility in publication may mean AEMO has the ability to decide the dates. We do not support this potential outcome. However, an exception should be included to allow AEMO to update the ISP should there be a material event in the National Electricity Market (NEM) that must be accounted for.

The CEC suggests that Australian Energy Market Operator (AEMO) publish a yearly summary document that outlines any notable changes at the midway point of the two-year publication process. Such a document may outline changes in the methodology outputs, emerging generation/load trends or changes in fuel patterns.

Governance of the ISP

The CEC broadly supports the outlined governance framework for the ISP and the system wide planning model outlined in Appendix B. We suggest that the NER should set out the objectives, principles and requirements to guide AEMO and TNSPs in the delivery of the ISP and RIT-Ts consistent with the current RIT-T framework. Any of the further detail required should be set out by the Australian Energy Regulator (AER) in the proposed guidelines.

We suggest that some of the information contained in the draft guidelines presented by the ESB should be contained in the NER. We suggest that the AER should develop these guidelines internally from the start and not use the preconstructed drafts provided by the ESB. The use of these drafts may influence the final content of the guidelines and may not result in the most suitable guidelines.

We support a greater level of flexibility given to AEMO to manage uncertainty through the ISP process. Allowing flexibility for power system resilience issues, consideration of changing public policy and potentially significant broader interactions with other systems at work in the NEM. However, any final flexibilities afforded to AEMO and TNSPs should be consulted on through a full stakeholder consultation and have each decision for or against those flexibilities justified in a final report. It is particularly important to consult with stakeholders when considering changes due to public policy as these require the perspectives and interpretations of stakeholders to wholly understand the issues.

There is the potential for duplication throughout the ISP and RIT-T processes when considering non-network solutions. In order to avoid duplication, thorough consulting with stakeholders during the ISP and RIT-T process on non-network options is required as non-network options may present following the ISP process.

Scope for further subordinate documents

The CEC supports the two proposed guidelines but reiterates the above point that the AER would be best placed to draft these without influence from the ESB. We do not consider any other subordinate guidelines or documents are required.

AER revenue approval

The CEC supports the coordination of generation and transmission investment (COGATI) final report recommendation to remove the preferred option assessment that the AER undertakes after the completion of a RIT-T to streamline and remove duplication from the regulatory process for all transmission projects. The AER should be explicitly precluded from including such a requirement as a contingent project trigger in a revenue determination.

Given our support for the removal of the preferred option assessment under clause 5.16.6, we do not support extending the AER's time to consider contingent projects. These two

processes are different and doing so would contradict the necessity to speed up processes.

In order to speed up the process for time critical projects, the CEC suggests the ESB and the AER consider allowing the costs associated with early work undertaken by a TNSP to be recovered via a cost pass-through or alternative mechanism. In order for a TNSP to begin detailed costing and planning, and ultimately delivering a project they must submit a contingent project revenue proposal and the AER must approve revenue for the project. Reliance on government underwriting for projects indicates a failure in the regulatory framework.

Dispute resolution

The CEC broadly supports the proposed dispute resolution framework. While we support the proposed framework as it relates to the application of the ISP, we suggest that the final dispute resolution process is applied to the final RIT-T. This should include the requirement that a dispute can only be raised by a party if it raised the issue in a submission prior.

If a dispute has been raised throughout the ISP process, then that same aspect that has been previously disputed should not be open to dispute again during the RIT-T process. Doing so would increase duplication and lead to inefficient outcomes.

The CEC also notes that the proposed dispute mechanism may delay the process significantly if a dispute is raised based on the methodology or inputs. AEMO does not currently publish the data sets relating to the methodologies and inputs used and as such if a dispute is raised on that basis it may delay the process. We suggest that the resolution of any such dispute should involve the publishing of the relevant data sets as justification.

Safety net

The proposed Last Resort Planner (LRP) is essentially consistent with the existing LRP. We consider this to be appropriate and suggest the existing LRP is retained, as the existing LRP has not needed to be exercised, it provides a suitable safety net.

Finally, the CEC suggests that any new provisions established through this consultation process apply to projects that are already under construction and subsequently identified through the 2020 ISP.

Thank you for the opportunity to comment on this consultation. If you would like to discuss any of the issues raised in this submission, please contact Tom Parkinson, Policy Officer, on (03) 9929 4156 or tparkinson@cleanenergycouncil.org.au or myself, as outlined below.

Yours sincerely,



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