



**ENERGY SECURITY BOARD
CONVERTING THE INTEGRATED
SYSTEM PLAN INTO ACTION**

Response to submissions on
Consultation Draft ISP Rules

March 2020

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Executive Summary

- In November 2019, the Energy Security Board (ESB) sought stakeholders' views on a set of amendments to the National Electricity Rules (Rules) to convert the Integrated System Plan (ISP) into action.
- This paper summarises views expressed in submissions to the draft Rules and provides the ESB's response to issues raised.
- A number of thermal generators and customer groups expressed concern regarding proposal to give AEMO flexibility to choose an optimal development path. There was support for greater AER oversight of AEMO's ISP process.
- A number of submissions suggested that public policy should not be included as a power system need as it could give rise to inefficient investment.
- Networks were broadly supportive of the proposed framework, but raised concerns with respect to:
 - The potential for misalignment between the RIT-T/ISP
 - Cost recovery of material costs for deferred or cancelled projects
 - TNSP recovery of AEMO's National Transmission Planner costs.
- A number of stakeholders expressed concern regarding transitional provisions that deem the 2020 ISP to have complied with the new Rules.
- ECA and AEC suggested that the definition of an "actionable ISP project" is too broad as it includes uncertain future projects.
- Some generators suggested that non-network options should be called for earlier in the process.
- AEC, EnergyAustralia suggested that ISP projects should not be assessed as a group and rather each individual project should be justified on a stand-alone basis.
- EnergyAustralia and some customer groups considered that the proposed dispute resolution mechanism is too restrictive.
- MEU, EUAA made supplementary submissions stating that EnergyConnect should not be able to transition to the actionable ISP framework.
- AGL, MEU, EUAA, AEC, CEC and PIAC proposed that the efficacy of the ISP framework should be subject to review by the AEMC after a set period.

1. Introduction

The ESB submitted its ISP Action Plan to the December 2018 COAG Energy Council meeting. Ministers agreed that the ESB should develop measures to operationalise the ISP. To this end, the ESB published draft ISP Rules for consultation in November 2019.¹

The ESB received non-confidential submissions from twenty organisations, including from industry groups, generators, network and customer groups:

- Generators/retailers: AGL, EnergyAustralia, Engie, Delta, ERM, Hydro Tasmania, Origin, Snowy Hydro
- Industry bodies: Australian Energy Council, Clean Energy Council, Energy Networks Association,
- Consumer groups: Energy Consumers Australia, Public Interest Advocacy Centre (PIAC), Major Energy Users, Energy Users Association of Australia
- Networks: TasNetworks, TransGrid, ElectraNet, Ergon & Energex, Mondo

The submissions are published on the ESB's website.²

They are summarised, together with the ESB's response, in Chapter 2. The ESB, AEMC, AER and AEMO have subsequently worked together to consider issues raised in submissions and develop a set of recommended Rules to be submitted to the COAG Energy Council.

¹ Energy Security Board, Converting the ISP into action - Consultation on Draft Rules, November 2019. Available at: <http://www.coagenergycouncil.gov.au/publications/consultation-draft-isp-rules>.

² See above.

2. Summary of issues raised in submissions and ESB’s response

2.1 Scope and purpose of the ISP

| Respondents | Comments | ESB response |
|-------------------|--|--|
| ENA | <ul style="list-style-type: none"> • Supports scope • Rules should be clear that flexibility is afforded to TNSPs for their RIT-Ts in same way as applied to AEMO for ISP – CBA guidelines suggest this isn’t the case • Options should be robustly considered in TNSPs’ RIT-Ts (i.e. undertake market modelling) • ISP be required to provide optimal timing and scale for connection of renewable energy and/or storage. • If ISP development opportunities have been identified then they ‘must’ be included, not ‘may’ as the drafting currently stands | <ul style="list-style-type: none"> • The ESB has amended the purpose of the ISP to the following: “to establish a whole of system plan for the efficient development of the power system that achieves power system needs for a planning horizon of at least 20 years for the long-term interests of the consumers of electricity”. • The framework is designed to be flexible so that new options can be explored in the PADR’s using the latest information. However, the ESB expects TNSPs and AEMO to work closely in the development of the ISP so that all relevant credible options can be assessed as part of the ISP process • NER 5.22.6(b) enables AEMO to provide information re the features of ISP development opportunities. NER 5.22.6(a)(5) requires AEMO to identify the ISP development opportunities in the optimal development path. |
| Engie | <ul style="list-style-type: none"> • Urges the ESB to establish a set of principles in the rules to ensure that guidelines developed by the AER place an obligation on AEMO and the RIT-T proponents to conduct market modelling that is more representative of the NEM outcomes and behaviours in the cost-based analysis. | <ul style="list-style-type: none"> • This is primarily a matter for the CBA Guidelines, however the ESB notes that there are pros and cons on both sides. • Behavioural analysis is significantly more complex and less transparent than cost-based analysis. • It also has the potential to drive investment in response to imperfect markets, when addressing the market design is a cheaper solution. |
| ECA, PIAC, Origin | <ul style="list-style-type: none"> • Does not agree with the proposed drafting of NER 5.22.2(b)(1) that a purpose of the ISP is to “trigger the regulatory investment test for transmission process for actionable ISP projects.” Should be less narrow/more outcomes focussed | <ul style="list-style-type: none"> • The ESB has amended the purpose of the ISP to the following: “to establish a whole of system plan for the efficient development of the power system that achieves power system needs for a planning horizon of at least 20 years for the long-term interests of the consumers of electricity”. |
| TransGrid | <ul style="list-style-type: none"> • The NER should explicitly allow for TNSPs to plan for transmission investments which are not identified in the ISP, in particular intra-regional transmission investments. | <ul style="list-style-type: none"> • The NER does this in NER 5.16. |
| MEU | <ul style="list-style-type: none"> • The MEU is very concerned that any ISP augmentation will become a direct cost to consumers even where the benefits accrue to generators. | <ul style="list-style-type: none"> • The question of whether generators should fund transmission is beyond the scope of the ISP Rules and is currently being explored by the AEMC in its COGATI review. |

- Any transfer of wealth from consumers to generators that results from an augmentation should be excluded from any assessment.
- The ISP framework is based on a NEM-wide cost benefit analysis. A market-wide test should promote efficient transmission investment, in line with the NEO. While there may be value in policies to respond to or adjust for wealth transfers, it is beneficial for such policies to be considered after the most efficient investment path has been identified.
- .
- To the extent MEU favours moving away from a market-wide cost benefit analysis, it is worth noting that customer benefits tests face significant complexities, including being more prone to measurement difficulties by requiring estimates of what proportion of wholesale market price changes will get passed on to customers.

2.2 Public policy

| Respondents | Comments | ESB response |
|-------------|---|---|
| AEC | <ul style="list-style-type: none"> • Disagrees public policy needs should be included in AEMO's assessment of the optimal development path – introduces subjectivity and unpredictability into network development. | <ul style="list-style-type: none"> • Final recommendations remove public policy from the definition of a power system need. However AEMO is still required to consider public policy when developing the ISP. A planning regime that ignores public policy can result in inefficient outcomes. |
| AGL | <ul style="list-style-type: none"> • Public policy is not covered by the NEO – need to determine how best to align NEO and ISP framework • Public policy assessment would be more beneficial as a two-way loop e.g. via a formal advisory obligation on AEMO to provide regular updates to Governments on forecasted operational changes in the NEM | <ul style="list-style-type: none"> • The criteria in NER 5.22.3(b) are designed to ensure that only policies that are being implemented by governments are included in the ISP modelling. • NER 5.22.6(b)(3) enables governments to seek advice on how their policies affect the ISP modelling. However, whether the choose to do this is a matter for governments. |
| CEC | <ul style="list-style-type: none"> • Public policy needs to be expanded explicitly to include emissions commitments and/or goals at both the State and Federal level. | <ul style="list-style-type: none"> • The criteria in NER 5.22.3(b) capture emissions commitments and/or goals where governments have taken steps to give effect to their policies but does not include aspirational targets. |
| HydroTas | <ul style="list-style-type: none"> • AEMO could be granted flexibility how the NEM would develop in the absence of some or all federal or state-based policy interventions • AEMO must consider international experience of market trends and developments. This includes technology costs, asset closure and re-investment | <ul style="list-style-type: none"> • AEMO has the ability to consider the full range of credible future worlds when it develops the scenarios to be considered in the ISP. • AEMO must also consult stakeholders on its inputs, assumptions and scenarios. |

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| | schedules and the decarbonisation of energy systems in other jurisdictions. | |
| Mondo | <ul style="list-style-type: none"> Supportive but better to express the ISP purpose as “to meet the power system and public policy needs”, with the power system needs then defined as market reliability, transmission reliability and power system security. | <ul style="list-style-type: none"> Agreed. Revisions since the draft ISP give effect to this change. |
| Origin | <ul style="list-style-type: none"> Inclusion of public policy needs should be as transparent as possible to promote accountability and confidence. Suggest that only legislated policies should be included and suggest options for enhanced transparency around implementation, such as through sensitivity analysis to understand the cost impact of including these policies. | <ul style="list-style-type: none"> The criteria in NER 5.22.3(b) are designed to ensure that only policies that have been implemented by governments are included in the ISP modelling. A requirement to only include legislated policies could create an undue administrative burden since governments do not always need to legislate in order to give effect to their policies. |
| Snowy | <ul style="list-style-type: none"> AEMO should incorporate State and Federal government environmental and energy policies that require firm generation to be connected to the NEM, this inclusion is appropriate and timely. | <ul style="list-style-type: none"> The criteria in NER 5.22.3(b) are designed to ensure that policies that are being implemented by governments are included in the ISP modelling. |

2.3 Actionable ISP project

| Respondents | Comments | ESB response |
|-------------------|---|---|
| AGL, AEC | <ul style="list-style-type: none"> Concerned there is no assigned expiry date which determines when an Actionable ISP Project ceases to remain ‘actionable’ Projects beyond 2 years are highly speculative. | <ul style="list-style-type: none"> In the recommended ISP Rules, an “actionable ISP project” is limited to those transmission projects for which a PADR is required within 24 months. Projects for which a PADR would not be required until after the next ISP are now defined as “future ISP projects”. |
| ECA | <ul style="list-style-type: none"> Rules should not be unnecessarily prescriptive and have suggested alternative definitions for identified need, development path, power system needs | <ul style="list-style-type: none"> The ESB has amended the definition of an actionable ISP project in response to concerns raised by ECA and other stakeholders. |
| Energex and Ergon | <ul style="list-style-type: none"> It is unclear why generation, storage and demand side projects are included but non-network options are not, given the definition of a non-network option is a means by which an identified need can be fully or partly addressed other than by a network option. | <ul style="list-style-type: none"> The ESB has adopted existing Rules terminology. In NER 5.16, 5.16A and 5.22, the term “non-network option” is used to refer to options that are intended to meet a transmission need and can be funded via the TNSP revenue determination. A non-network option could include a distribution option where it is being used to meet a transmission identified need. |

- An ISP development opportunity includes technologies that may also be a non-network option, depending on what purpose they are being used for.

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| Origin | <ul style="list-style-type: none"> • Welcome better clarity on which projects are meant to be included in the ISP, and more prescription around what actionable and recommended ISP projects are. | <ul style="list-style-type: none"> • The ESB has refined the definition of an actionable ISP project to provide better clarity. • The ISP Rules do not include a category of “recommended” ISP projects. |
| TasNetworks | <ul style="list-style-type: none"> • Suggests ‘shovel-ready’ projects be considered actionable ISP projects for the purposes of both the ISP and RIT-T with all cost recovery and transitional arrangements applying • Agrees with the proposal for actionable ISP projects to be automatically defined as contingent projects. However the criterion in 5.16A.5(a)(1) may be too inflexible to support the streamlined process envisioned by the ESB. • TasNetworks suggests AEMO be granted flexibility to consider materiality issues to avoid unnecessary analysis and ISP iterations. | <ul style="list-style-type: none"> • The ISP Rules include amendments to facilitate staged projects. • The detail of the framework will be given effect via the CBA Guidelines. • The ESB has revised NER 5.16A.5 to better reflect its intent. • The feedback loop is not intended to re-prosecute the TNSP’s RIT-T. Its role is to check that the optimal development path set out in the most recent ISP is still valid in light of the results of a RIT-T and the proposed contingent project application. • The ISP Rules have been revised to enable AEMO to consider materiality. |

2.4 Preparatory works

| Respondents | Comments | ESB response |
|-------------|---|---|
| Delta | <ul style="list-style-type: none"> • Limit preparatory work costs that can be placed on consumers to activities that are required to reach the development application submission and/or completion of the RIT-T (no capital costs to be incurred by consumers until PACR stage) • Require the AER to review revenue requirements for preparatory activities. • Require TNSPs to consult on route selection. | <ul style="list-style-type: none"> • Costs associated with preparatory activities can be accommodated within the current incentive regulation framework. • The ISP consults on route selection at a high level, and the RIT-T consults on route selection at a more detailed level. |
| ENA | <ul style="list-style-type: none"> • AEMO should have discretion to identify if preparatory work is required | <ul style="list-style-type: none"> • The ISP Rules have been amended to enable AEMO to specify whether a TNSP should commence preparatory activities for a future ISP project. |

2.6 Role of the AER

| Respondents | Comments | ESB response |
|-------------|--|---|
| AGL | <ul style="list-style-type: none"> The AER can suitably assess the rigour of long-term transmission investment decisions. The AER should have a larger role in assessing (not necessarily approve) project selection at the Draft ISP stage. If correctly done, no role for the AER in assessing streamlined ISP RIT-T's is necessary. | <ul style="list-style-type: none"> The ESB has introduced two new checks and balances since the Draft ISP Rules: <ul style="list-style-type: none"> an expert ISP consumer panel to advise AEMO during the development of the ISP and an AER transparency review at key points in the ISP process. |
| Delta | <ul style="list-style-type: none"> Suggest the AER review revenue requirements for preparatory activities. | <ul style="list-style-type: none"> Agreed. Costs associated with preparatory activities can be accommodated within the current incentive regulation framework. |
| Engie | <ul style="list-style-type: none"> AER to place obligation on AEMO and RIT-T proponents in its guidelines to conduct market modelling that is more representative of the NEM outcomes and behaviours in the cost-based analysis | <ul style="list-style-type: none"> This is primarily a matter for the CBA Guidelines, however the ESB notes that there are pros and cons on both sides. Behavioural analysis is significantly more complex and less transparent than cost-based analysis. It also has the potential to drive investment in response to imperfect markets, when addressing the market design is a cheaper solution. |
| MEU | <ul style="list-style-type: none"> Removal of 5.16.6 could result in excessive and unnecessary costs for consumers now and into the future – eg AER's assessment on EnergyConnect concluded the net benefits in the PACR were overstated as well as concerns over accuracy of capital costing. It is highly unlikely that stakeholders (and particularly consumers) would have either the resources to review a project to the extent that the AER has for a project such as EnergyConnect, and/or for stakeholders to be able to substantiate a claim that due process has not been followed and what the outcome of not following due process might cause There is insufficient funding or time for consumers and other stakeholders to be able to provide the necessary detailed input into the ISP consultation process to match what the AER felt necessary for the EnergyConnect assessment | <ul style="list-style-type: none"> The ESB's recommendations are designed to deliver both strong governance and timely decision making. AEMO is required to conduct a rigorous and transparent cost benefit analysis in accordance with two sets of AER guidelines that govern how it: prepares its forecasts and does its cost benefit analysis. AEMO must consult on its inputs and assumptions in addition to a consultation on the draft ISP results. The ESB has added a requirement for the AEMC to conduct a review of the actionable ISP Rules by 30 June 2025. The ESB has introduced two new checks and balances since the Draft ISP Rules: <ul style="list-style-type: none"> an expert ISP consumer panel to advise AEMO during the development of the ISP and an AER transparency review at key points in the ISP process. |

- ESB must review its draft decision reflecting the experience garnered through the AER review of EnergyConnect and that the AER must be required to review the ISP projects, including independent modelling.
- An ex-post review should be undertaken after a period (for instance five years) to provide feedback on issues including whether the modelling inputs and assumptions were accurate to increase accuracy of these into the future.

PIAC

- AER and other stakeholders have an important role to play along in aiding the understanding of what is and is not economically efficient and in the long-term interests of consumers
- There would be benefit in the AER specifically, as an expert regulator, having a formalised role in determining the economic efficiency of the ISP development path.
- The AER’s review would provide robust and independent validation that the development path is prudent and in the long-term interests of consumers and put trust in the process and outcome of the ISP.
- The ESB has introduced two new checks and balances since the Draft ISP Rules:
 - an expert ISP consumer panel to advise AEMO during the development of the ISP and
 - an AER transparency review at key points in the ISP process.
- The ESB has also added a requirement for the AEMC to conduct a review of the actionable ISP Rules by 30 June 2025.

PIAC

- Should be a review of prior ISPs to ensure that the benefits that were used to justify the investments were actually realised and accrued to consumers.
- This review should include the modelling and options analysis conducted within an ISP itself and a more detailed options evaluation and investment processes following on from the ISP publication.
- The AER’s Forecasting Best Practice Guidelines include provisions that require AEMO to review the accuracy of its forecasts.
- The ESB has introduced new provisions that require the AEMC to conduct a review of the actionable ISP Rules by 30 June 2025. This timing would allow the review to encompass three ISPs (not including any ISP updates): the 2020 ISP, the 2022 ISP and the 2024 ISP.

2.7 ISP Panel

| Respondents | Comments | ESB response |
|---------------|---|---|
| AEC, AGL, CEC | <ul style="list-style-type: none"> • Supports increased consultation via Panel • AEC suggest existing fora, e.g. NEM Wholesale Consultative Forum and the Forecasting Reference Group inter alia, could be used for this purpose to avoid | <ul style="list-style-type: none"> • AEMO will be required to establish an expert ISP consumer panel. • AEMO will also continue to use existing groups to consult on its forecasts and cost benefit analysis, as well as holding public forums, webinars and workshops. |

separate panel not representing all interested parties

- The ESB does not support an ISP Panel with a formal decision-making role. The ISP has the potential to affect commercial interests and hence the decision should lie with a financially independent party.

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| AGL, ECA, MEU | <ul style="list-style-type: none"> • Suggests the ESB and the AER to provide further clarity in the AER Guidelines or Rules on key governance and membership details associated with the Panel creation. | <ul style="list-style-type: none"> • The requirements for AEMO's ISP consumer panel are set out in NER 5.22.7. |
| AGL | <ul style="list-style-type: none"> • Suggest 2 broader functions of the panel are necessary: <ul style="list-style-type: none"> ○ 'advisory services' should be expanded to a 'peer review function with recommendations'. It should report to AEMO on the draft and final ISP reports and AEMO should publish these recommendations and AEMO's response on its website to maintain clear transparency and decision-making; ○ the Panel should provide a report to the AER following each deliverable above on whether it believes AEMO and the draft/final ISP report remained consistent with the AER Guidelines. | <ul style="list-style-type: none"> • The ISP consumer panel will provide reports to AEMO and AEMO will be obliged to publish the reports and provide a response. • While AEMO has the ability to establish specialist forums comprised of industry experts, there are also advantages associated with open processes that anyone can attend. As such, ESB has not required AEMO to establish an ISP Panel for market participants. |
| Delta | <ul style="list-style-type: none"> • Potentially restricts broad participation and could create information asymmetry between market participants | <ul style="list-style-type: none"> • Mandatory panel provisions apply in relation to an expert customer panel rather than market participants. |

2.8 Transparency

| Respondents | Comments | ESB response |
|---------------|---|---|
| Delta | <ul style="list-style-type: none"> • AEMO should set out in the ISP the reasons for its inclusion of any public policy and describe how this decision satisfies proposed rule 5.22.3(b). • AEMO should publish a public response to submissions so that all stakeholders can understand how AEMO has addressed stakeholder comments | <ul style="list-style-type: none"> • The ISP Rules require AEMO to transparently disclosed its inputs and assumptions. • The AER will conduct a transparency review to check that AEMO has met its obligations. • AEMO is obliged to publish its response to submissions to the Inputs, Assumptions and Scenarios consultation document and the draft ISP. |
| Delta, Origin | <ul style="list-style-type: none"> • The ESB should specify in the rules that materials from all public forums and any materials provided to a subset of stakeholders will be made available | <ul style="list-style-type: none"> • NER 5.22.16 requires AEMO to publish its inputs and assumptions and supporting information that will assist stakeholders in |

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| | <p>publicly in a timely manner including full models</p> <ul style="list-style-type: none"> • Technical and cost information from TNSPs to AEMO during options development phase be made to all stakeholders | <p>understanding the modelling results in a format that best suits the purpose.</p> <ul style="list-style-type: none"> • The AER will conduct a transparency review to check that AEMO has adequately explained key outcomes and decisions. • The ESB notes that the ISP model is too big to permit a straightforward publication online. |
| MEU | <ul style="list-style-type: none"> • AEMO must implement a significantly expanded consultation program which not only addresses in detail the key inputs and assumptions used to populate the ISP model, but also include detailed consultation about the various options that have been considered. | <ul style="list-style-type: none"> • The governance framework comprises a suite of measures designed to ensure that AEMO conducts a rigorous and transparent process. • |

2.9 Joint planning

| Respondents | Comments | ESB response |
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| AEC, Snowy | <ul style="list-style-type: none"> • Supportive of alignment between ISP development and TNSP's planning processes | <ul style="list-style-type: none"> • The ESB agrees. |
| ENA, TasNetworks, TransGrid | <ul style="list-style-type: none"> • Rules should set out AEMO's obligations to work closely with TNSPs at all stages of the ISP/RIT-T/regional planning processes • Obligations on TNSP should be expanded to identify characteristics that a non-network proponent would be required to deliver in order to meet the identified need | <ul style="list-style-type: none"> • The ESB considers that the joint planning framework set out in the recommended ISP Rules broadly strikes the right balance between ensuring that the ISP benefits from TNSPs' expertise whilst also enabling AEMO to consider the views of all stakeholders. • The ESB has amended the ISP Rules so that AEMO is expressly required to share information on proposals for non-network options with TNSP.s |
| PIAC | <ul style="list-style-type: none"> • Potential misalignment between ISP and RIT-T in selecting net benefit outcomes | <ul style="list-style-type: none"> • NER 5.22.5 requires the AER's CBA Guidelines to have regard to the need to avoid misalignment. • The ESB considers that the risk of misalignment can be dealt with via the AER's CBA Guidelines and requires only minor changes to the ISP Rules package, namely an amendment to the definition of an ISP parameter |

2.10 Non network options

| Respondents | Comments | ESB response |
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| Delta, Origin, PIAC | <ul style="list-style-type: none"> • Preferable for non-network options to be considered on an equal footing with network options – non-network options should be identified and considered in parallel with network options and included in the joint planning process. | <ul style="list-style-type: none"> • The ESB agrees. • AEMO's Inputs & Assumptions consultation includes consultation on the network and non-network options included in the ISP model. • In addition, the ISP Rules provide for a call for non-network options to be issued in conjunction with the draft ISP for actionable ISP projects. |
| ENA | <ul style="list-style-type: none"> • Suggests elaboration on 5.22.10 to include what technical characteristics might be relevant • Supports more substantive consideration of NNO in the final ISP rather than deferring to RIT-T • Rules should state TNSPs do not need to call on NNO in the PADR stage as this is duplicative (if occurring in draft ISP). • Consider reducing timing of NNO providers making submission to draft ISP from 12 to 8 weeks to allow for more consideration of these options. | <ul style="list-style-type: none"> • The ESB has amended 5.22.10 as per the ENA's suggestion. • The ISP Rules are designed to strike a balance between giving proponents of non-network options enough time to prepare their submissions, and enough time for AEMO and TNSPs to review the proposals. • The required content of a PADR is set out in NER 5.16A.4(d). It does not include a call for non-network options. |
| ENA, TasNetworks | <ul style="list-style-type: none"> • TNSP involvement in identifying and setting the technical requirements that NNO will have to meet should be mandated as part of the draft ISP engagement | <ul style="list-style-type: none"> • The ESB has amended the joint planning provisions to make it clear that AEMO and TNSPs should work together to jointly consider NNOs. |

2.11 Selection of optimal development path

| Respondents | Comments | ESB response |
|------------------------|---|--|
| AEC, AGL, Delta, Engie | <ul style="list-style-type: none"> • Do not support the Draft Rule to allow the path to only have a “positive net benefit for the most likely scenario” instead of the highest positive net benefit. | <ul style="list-style-type: none"> • How AEMO will select the optimal development path will be further dealt with in the AER guidelines. • The ISP Rules require AEMO to transparently consult on the costs and benefits of a range of development paths under a range of scenarios. |
| Delta | <ul style="list-style-type: none"> • Delta suggest ESB could require in the rules that AEMO explicitly identify the potential risks under each scenario and seek and describe potential non-network solutions that could mitigate the risk should the scenario eventuate | <ul style="list-style-type: none"> • The ISP Rules require the ISP to explore a range of scenarios and sensitivities and describe how different development paths perform if the risk eventuates. |
| AGL | <ul style="list-style-type: none"> • Projects should be individually viable, and not carried by related projects. | <ul style="list-style-type: none"> • System planning was one of three core pillars of the Finkel review and a key element of what COAG asked the ESB to deliver. |

Requiring each project to be assessed on individually, rather than as part of a whole of system plan, leads to an incremental approach that fails to take advantage of the synergies associated with coordinated development.

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| CEC, HydroTas | <ul style="list-style-type: none"> Supports the identification of the optimal development path in the ISP | <ul style="list-style-type: none"> The ESB agrees. |
| ENA | <ul style="list-style-type: none"> CBA and RIT-T guidelines to both be applied by AEMO and TNSPs in ISP process. | <ul style="list-style-type: none"> The ISP Rules establish a framework where the CBA guidelines describe the principles to be applied by both AEMO in preparing the ISP and TNSPs in undertaking RIT-Ts for actionable ISP projects. In preparing the CBA Guidelines, the AER must have regard to the need for alignment between the RIT-Ts and ISP. |
| ENA | <ul style="list-style-type: none"> RIT-T should confer flexibility to select an option based on considerations other than maximising probability-weighted net market benefit across scenarios | <ul style="list-style-type: none"> The test to be applied in the RIT-T is a matter for the AER's CBA Guidelines. |
| ENA | <ul style="list-style-type: none"> Staging of options to be taken into account by AEMO and not just TNSP at PADR stage. | <ul style="list-style-type: none"> The ISP Rules include amendments to facilitate staged projects. The detail of the framework will be given effect via the CBA Guidelines. The framework permits the staging of options to be considered both in the ISP and then at a more granular level in the RIT-Ts. |
| ENA, HydroTas, TasNetworks | <ul style="list-style-type: none"> Supports AEMO having the flexibility to select an optimal development path against reasonable range of future market outcomes but AEMO must clearly communicate the choices that are made in selecting the optimal development path and the justifications for doing so. This flexibility to also apply to the RIT-T and this to be reflected in the Rules | <ul style="list-style-type: none"> The ESB supports AEMO having flexibility, together with obligations to transparently describe its process and reasoning. Applying the same framework to TNSPs would not resolve the risk of misalignment since TNSP could use its flexibility to adopt an approach that does not align with the ISP. |
| Engie | <ul style="list-style-type: none"> There should be an obligation on the AER to limit flexibility provided to AEMO in the guidelines. | <ul style="list-style-type: none"> In developing and publishing the Cost Benefit Analysis Guidelines, the AER must provide flexibility to AEMO in its approach to scenario development, modelling and selection of the optimal development path. This reflects the challenges in planning the transmission system in a world there is significant uncertainty regarding which future scenario will arise. |
| Origin | <ul style="list-style-type: none"> Requirements for the CBA guidelines should mirror the existing RIT-T application guidelines, with deviations | <ul style="list-style-type: none"> The CBA guidelines are broadly similar to the RIT-T application guidelines, however there are key differences in order to give effect to |

limited to addressing the different circumstances of the ISP

system planning and to give AEMO more flexibility to deal with uncertainty.

2.12 Dispute resolution

| Respondents | Comments | ESB response |
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| AGL | <ul style="list-style-type: none"> DR mechanism is unlikely to work in practice since it would only permit procedural disputes to be raised and resolved in practice. A mandatory and transparent feedback loop and AEMO's response to issues raised published on its website is needed. AGL suggest to still consider limiting access to Industry associations. | <ul style="list-style-type: none"> The DR mechanism is designed to encourage active engagement throughout the ISP process to identify and debate issues when decision making is occurring. NER 5.22.8 and 5.22.11 require AEMO to publish an issues summary on material issues and AEMO's response to each issue for both the Inputs, Assumptions and Scenarios Report and the draft ISP. All stakeholders will be able to raise a dispute on matters of process within 30 days of the publication of the final ISP. |
| MEU | <ul style="list-style-type: none"> DR mechanism needs to be expanded to include: <ul style="list-style-type: none"> that a dispute can be raised at any time during the ISP development what the remedy should the AER decide that AEMO has not followed the required processes. | <ul style="list-style-type: none"> The DR mechanism is designed to encourage active engagement throughout the ISP process to identify and debate issues when decision making is occurring. Under NER 5.23.4, the AER may direct AEMO to remedy the non-observance with the prescribed ISP process, which may include requiring AEMO to consider whether an ISP update is required. AEMO must comply with the direction within the timeframes specified by the AER. |
| PIAC | <ul style="list-style-type: none"> Given that draft NER 5.23.4(d) states that any dispute does not stay the operation of the ISP (and hence the obligations on TNSPs to commence RIT-Ts) it is unclear whether any restriction on raising a dispute is necessary beyond determining that a prescribed ISP process was not observed and that the AER should accept the dispute. | <ul style="list-style-type: none"> The framework is designed to ensure that a rigorous consultation process during the development of the ISP occurs; ensuring that stakeholders contribute to the debate about technical aspects of the modelling during the process. The Actionable ISP framework has been developed to improve the speed at which strategic transmission projects are delivered. Confining disputes to matters of process, rather than re-litigating technical matters or outcomes will mitigate the risk of unnecessary delays in projects that have been critically evaluated through an extensive ISP modelling exercise. |
| CEC, PIAC | <ul style="list-style-type: none"> Supports proposed DR process and criteria | <ul style="list-style-type: none"> The ESB agrees. |
| Snowy | <ul style="list-style-type: none"> Support the ESB's proposed model that stakeholders will be able to raise a | <ul style="list-style-type: none"> The ESB agrees. |

dispute within 30 days of the publication of the final ISP

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| ENA, TasNetworks | <ul style="list-style-type: none"> Supports the proposal to limit ISP disputes to matters of process and avoid re-litigation of issues in the RIT-T when they have already been previously considered in the ISP | <ul style="list-style-type: none"> The ESB agrees. |
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2.13 ISP updates

| Respondents | Comments | ESB response |
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| AEC, HydroTas | <ul style="list-style-type: none"> Supports proposed Rule 5.22.12 including provision for the ISP to be updated should AEMO receive material new information. | <ul style="list-style-type: none"> The ESB agrees. The ESB has amended the ISP update provisions (now NER 5.22.15) to require AEMO to issue an ISP update if, during the course of a feedback loop, AEMO forms the view that there is a material change to the need for or characteristics of an actionable ISP project identified in the most recent ISP. This would include the situation where an actionable ISP project fails the feedback loop (i.e. the project is not eligible to apply to receive funding under the actionable ISP framework because it does not align with the ISP, either due to its technical characteristics or cost). |
| AGL | <ul style="list-style-type: none"> In the instance where AEMO does not republish the ISP, this should not prevent the use of updated information in a RIT-T. There is value in a short AEMO publication (e.g. an infographic or factsheet) to capture changes to key market inputs/trends, ISP modelling and/or optimal paths assessment published at least annually between ISP final reports, or more frequently if necessary, at the discretion of AEMO | <ul style="list-style-type: none"> TNSPs are not required to use the ISP parameters, as long as they specify the ISP parameter which is new, omitted or has been varied and provide demonstrable reasons why the addition or variation is necessary. AEMO updates its inputs and assumptions annually as the data is also used to support other publications such as the Electricity Statement of Opportunities. If AEMO considers that there has been a material change to the need for or characteristics of an actionable ISP project, AEMO will issue an ISP update. |
| MEU | <ul style="list-style-type: none"> If there is an instance where stakeholders consider that AEMO has erred, and the AER agrees, then AEMO should be required to correct its modelling by implementing an appropriate change to its assumption, even if this delays augmentation of the network. | <ul style="list-style-type: none"> NER 5.22.15 (ISP update) and 5.16A.5 (actionable ISP trigger events) together have the effect that if new information becomes available that has a material impact on the need for or characteristics of an actionable ISP project, then an ISP update is required, and the TNSP will not be eligible to apply for contingent project funding unless the need for the project is confirmed. |
| MEU | <ul style="list-style-type: none"> It is not clear that if an update is issued, whether the update will be subject to the same requirements as apply to the | <ul style="list-style-type: none"> In making a decision on whether an update to the ISP is required, and whether consultation on the update is required, AEMO would follow |

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| | <p>scheduled ISP activities. The MEU considers that an update should be required to follow the same process controls, consultation and checks as scheduled ISP development.</p> | <p>the AER Best Practice Forecasting Guidelines.</p> <ul style="list-style-type: none"> Given the scheduled ISP activities are subject to a two-year consultation process, requiring ISP updates to follow the same process would be highly unwieldy in a dynamic market environment, and could have the result that inefficient investments proceed. |
| ENA | <ul style="list-style-type: none"> ESB to clarify 5.22.12 in reference to its consistency with 5.16A.4(o)(3)(ii) Draft rule also needs clarification on whether changes that require changes to modelling approach triggers a new ISP rather than an updated ISP. | <ul style="list-style-type: none"> Old Clause 5.16A.4(o)(3)(ii) and clause 5.22.12 have been clarified. The definition of an ISP means that an ISP update is a new ISP. The ESB envisages that AEMO would only update the modelling approach as part of the main ISP process, however if it was necessary to update the modelling approach in between ISPs, AEMO must consult in accordance with the consultation requirements set out in the Forecasting Best Practice Guidelines for an ISP update. |
| ENA | <ul style="list-style-type: none"> ESB's draft rule does not reflect consultation paper in regards to statement that AEMO is to follow best practice forecasting guidelines in deciding whether an update is required and whether consultation on the update is required. | <ul style="list-style-type: none"> If AEMO is required to publish an ISP update or if AEMO assesses there is a material change to the need for, or the characteristics of a current actionable ISP project, AEMO must consult on the new information and the impact on the optimal development path, in accordance with the consultation requirements set out in the Forecasting Best Practice Guidelines for an ISP update. (5.22.15(c)) |

2.14 Contingent project triggers (including feedback loop)

| Respondents | Comments | ESB response |
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| CEC, PIAC | <ul style="list-style-type: none"> Supports feedback loop proposed but could be made more transparent – Rules drafting indicates process will not be transparent: <ul style="list-style-type: none"> should also include the publishing of the data sets from the modelling, irrespective of whether AEMO decide to publish a revision to the ISP should incorporate feedback loops through each stage of consultation. | <ul style="list-style-type: none"> ESB has amended the NER 5.22.15 to make it mandatory for AEMO to publish an ISP update if the feedback loop reveals that there has been a material change to the need for or characteristics of an actionable ISP project. This applies both to the project that is the subject of the feedback loop, or another actionable ISP project. NER 5.16A requires TNSPs to adopt ISP parameters (or provide reasons why they have used different inputs). As a result, the RIT-T modelling is expected to be consistent with the ISP modelling. |
| CEC | <ul style="list-style-type: none"> Suggest that if the RIT-T preferred option has not changed from the ISP candidate option it may not be time effective for AEMO to run their full | <ul style="list-style-type: none"> Revisions to the ISP Rules have the effect that AEMO will be able to assess the materiality of any differences between the ISP candidate option and the TNSP's preferred |

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| | modelling assessment to provide confirmation. | option in order to decide whether to re-run the ISP model for the purposes of the feedback loop. |
| TransGrid | <ul style="list-style-type: none"> The requirement for AEMO to approve that the preferred option in the RIT-T is consistent with AEMO's optimal development path should be removed. At most, the NER should require AEMO to confirm that the identified need is met by the RIT-T preferred option. Linking project costs published in the ISP to the costs included in the RIT-T Project Assessment Conclusion Report (PACR) should be removed from the contingent project trigger in draft rule 5.16A.5(a)(1). | <ul style="list-style-type: none"> When submitting a contingent project application TNSPs will be required to seek written confirmation from AEMO that the preferred option addresses the relevant identified need and aligns with the optimal development path referred to in the most recent Integrated System Plan; and the cost of the preferred option included in the contingent project application does not change the status of the actionable ISP project as part of the optimal development path NER 5.16A.5 has been amended make it clear that the costs in the PACR are not necessarily the same as the costs assessed in the feedback loop. A new clause has been added such that the cost of the preferred option set out in the contingent project application must be no greater than the cost assessed in the feedback loop. |

2.15 Cost recovery

| Respondents | Comments | ESB response |
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| ENA, TasNetworks, TransGrid | <ul style="list-style-type: none"> AEMO's NTP costs should not be allocated to TNSPs as they are out of TNSP's control. | <ul style="list-style-type: none"> The ESB has included in the recommended ISP Rules an amendment to Chapter 6A of the Rules that permits TNSPs' maximum allowed revenues to adjust automatically to recover fees advised by AEMO. |
| ENA, TasNetworks, TransGrid | <ul style="list-style-type: none"> Rules should acknowledge that some of TNSP's planning obligations will now be directed by AEMO. ENA propose cost-recovery mechanism where: <ul style="list-style-type: none"> ISP update or new ISP delays timing of PADR/PACR or if ISP project is no longer required ISP dispute delays timing of PADR or determines PADR/PACR not required ISP update/new ISP/dispute of ISP determines ISP project that required preparatory work to be progressed is no longer required | <ul style="list-style-type: none"> NER 5.22.6(d) confers a new regulatory obligation on TNSPs to conduct preparatory activities as set out in the ISP. The ESB considers that TNSPs do not require an additional revenue stream for preparatory activities because these costs can be accommodated within the current incentive regulation framework. |

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| Energex and Ergon | <ul style="list-style-type: none"> The management of funding sources [for ISP development opportunities] should be clarified either within the rules or in an appropriate guideline. | <ul style="list-style-type: none"> While the ISP Rules will trigger a regulatory process for actionable ISP projects (i.e. transmission projects), its status is merely informational for ISP development opportunities including distribution projects. |
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2.16 Transitional arrangements

| Respondents | Comments | ESB response |
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| ENA, ElectraNet | <ul style="list-style-type: none"> EnergyConnect should be recognised as an existing actionable ISP project New clause should be added to the draft Rules to allow RIT-T proponents the flexibility to apply either the existing RIT-T framework or new RIT-T framework Draft Rules do not contemplate the possibility of a material change in circumstances requiring reapplication of the RIT-T for an existing actionable ISP project | <ul style="list-style-type: none"> Under the revised transitional Rules, all actionable ISP projects identified in the final 2020 ISP are treated as an existing actionable ISP project. The ESB has redrafted the transitional arrangements relating to existing actionable ISP projects in response to feedback that the Consultation Draft ISP Rules were unclear on this matter. However, the intent remains unchanged; TNSPs would be able to choose to apply either the “old” RIT-T framework or the new actionable ISP framework to projects identified as actionable ISP projects in the 2020 ISP. NER 5.16A.4(n) together with 5.16A.5(a) and the revised transitional provisions together require existing actionable ISP projects to reapply the RIT-T using either the old or new framework in the event of a material change in circumstances. |
| ECA, Delta | <ul style="list-style-type: none"> No opportunity or regulatory safeguard exists in the Draft Rules to review the decisions taken by AEMO in the final 2020 ISP document | <ul style="list-style-type: none"> The ESB has not amended the transitional provisions that deem the 2020 ISP to comply with the ISP Rules due to the uncertainty that this would create. AEMO is engaging closely with the AER and other market bodies regarding its 2020 ISP process, which has involved extensive consultation. |
| ECA | <ul style="list-style-type: none"> Suggest that there is a role for the AER in reviewing the 2020 ISP that need not excessively impede execution. Suggest a provision that the 2020 ISP can still be deemed to have been met, but that within one month of the publication of the 2020 ISP the AER may declare that an actionable ISP project in the 2020 plan will not be allowed to proceed under the new arrangements. | <ul style="list-style-type: none"> AEMO is engaging closely with the AER regarding its 2020 ISP process. AEMO has also established an ISP Customer Reference Group to facilitate engagement in the development of the 2020 ISP. The ESB has not amended the transitional provisions that deem the 2020 ISP to comply with the ISP Rules due to the uncertainty that this would create. |

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| MEU | <ul style="list-style-type: none"> MEU considers that there must be some independent assessment for projects of the magnitude of investment identified in the 2020 ISP. Propose there is a requirement that the AER must carry out its own independent assessment of the model(s) used to justify the ISP outcomes, assumptions made and inputs used | <ul style="list-style-type: none"> AEMO is engaging closely with the AER regarding its 2020 ISP process. AEMO has also established an ISP Customer Reference Group to facilitate engagement in the development of the 2020 ISP. The ESB has not amended the transitional provisions that deem the 2020 ISP to comply with the ISP Rules due to the uncertainty that this would create. |
| Snowy +ENA, TasNetworks, TransGrid | <ul style="list-style-type: none"> Rules should address transitional issues, including recognition of previous ISPs as meeting the new rules and the application of the new rules to RIT-Ts currently underway. For which the RIT-T's are already underway, we support the transitional arrangements proposal by the ESB that if a RIT-T has already commenced for a project identified in the 2020 ISP, then the TNSP will be able to choose whether to apply the new streamlined RIT-T process or the current process ENA proposed amendments to the drafting to clarify the above point | <ul style="list-style-type: none"> The Transitional arrangements in the rules will deem the 2020 ISP process to have met the requirements set out in the ISP Rules package The ESB has redrafted the transitional arrangements relating to existing actionable ISP projects in response to feedback that the Consultation Draft ISP Rules were unclear on this matter. However, the intent remains unchanged; TNSPs would be able to choose to apply either the "old" RIT-T framework or the new actionable ISP framework to projects identified as actionable ISP projects in the 2020 ISP. |
| TransGrid | <ul style="list-style-type: none"> Support TNSPs being able to submit an application for contingent project revenue based on meeting either the new actionable ISP contingent project trigger or the existing contingent project triggers under TNSPs' revenue determinations (excluding any requirement for a preferred option assessment under clause 5.16.6 of the NER) | <ul style="list-style-type: none"> The ESB has redrafted the transitional arrangements relating to existing actionable ISP projects in response to feedback that the Consultation Draft ISP Rules were unclear on this matter. However, the intent remains unchanged; TNSPs would be able to choose to apply either the "old" RIT-T framework or the new actionable ISP framework to projects identified as actionable ISP projects in the 2020 ISP. This arrangement is subject to an exception: a TNSP would not be able to apply the new contingent project triggers if they have commenced or completed a preferred options assessment under the old framework (unless the RIT-T is reapplied for a material change in circumstances using the new framework). |
| MEU, EUAA | <ul style="list-style-type: none"> EnergyConnect should not be able to transition to the new framework. | <ul style="list-style-type: none"> In the Draft ISP Rules package, TNSPs that had started a 5.16.6 were confined to using the old RIT-T framework. The ESB has redrafted the transitional arrangements relating to existing actionable ISP projects in response to feedback. The policy intent is for TNSPs to be able to choose to apply either the "old" RIT-T framework or the new actionable ISP framework to projects |

identified as actionable ISP projects in the 2020 ISP.

2.17 Other

| Respondents | Comments | ESB response |
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| AEC | <ul style="list-style-type: none"> Requiring TNSPs to publish PADRs within statutory timeframes seems unnecessarily restrictive, and an unfair imposition on the way TNSPs conduct their business | <ul style="list-style-type: none"> TNSPs will be required to publish a Project Assessment Draft Report (PADR) by the date set out in the ISP (not less than 6 months after the publication of the final ISP), unless the AER approves a request for an extension. The intent of the rule change package is to ensure investments in transmission that are needed are delivered in a timely manner. |
| AEC | <ul style="list-style-type: none"> AEMC's LRPP function should not be removed | <ul style="list-style-type: none"> The Last Resort Planning Powers are superseded by the actionable ISP framework. It would be unnecessary to retain the role for the AEMC. |
| AEC, AGL, CEC, EUAA | <ul style="list-style-type: none"> There is no scheduled assessment of the new ISP framework's efficacy after it has been implemented Review should occur after new rules have been in effect for fixed period | <ul style="list-style-type: none"> The ESB has incorporated into the rules a requirement for the AEMC to conduct a review of the ISP framework by 30 June 2025. |

C Abbreviations and Technical Terms

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| AEC | Australian Energy Council |
| AEMC | Australian Energy Market Commission |
| AEMO | Australian Energy Market Operator |
| AER | Australian Energy Regulator |
| CBA | Cost Benefit Analysis |
| CEC | Clean Energy Council |
| COAG EC | Council of Australian Governments Energy Council |
| DR | Dispute resolution |
| ECA | Energy Consumers Australia |
| ENA | Energy Networks Association |
| ESB | Energy Security Board |
| EUAA | Energy Users Association of Australia |
| MEU | Major Energy Users |
| NEL | National Electricity Law |
| NEM | National Electricity Market |
| NER | National Electricity Rules |
| NNO | Non network option |
| NSCAS | Network Support and Control Ancillary Services |
| NTNDP | National Transmission Network Develop Plan |
| PIAC | Public Interest Advocacy Centre |
| RIT-T | Regulatory Investment Test for Transmission |
| REZ | Renewable Energy Zone |
| SACOSS | South Australian Council of Social Services |
| TNSP | Transmission Network Service Providers |

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