

7 September 2018

Peter Adams
General Manager, Wholesale Markets
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Lodged via email: RIT@aer.gov.au

Dear Mr Adams,

REVIEW OF THE APPLICATION GUIDELINES FOR THE REGULATORY INVESTMENT TESTS FOR TRANSMISSION AND DISTRIBUTION – DRAFT GUIDELINES

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 solar, wind, hydro, bioenergy, marine and geothermal energy, energy storage and energy efficiency along with more than 5,300 solar 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 respond to the Australian Energy Regulator's (AER's) draft application guidelines for the regulatory investment tests for transmission and distribution (RIT-T and RIT-D respectively). The electricity system is going through an unprecedented period of transformation as more renewable generation enters the market while ageing coal fired generators retire. This energy sector transformation must be supported by a transformation of the network, which will likely require future transmission network investment. As such, the clean energy industry is keen to ensure an efficient and effective RIT process. We welcome this review as necessary to develop sufficient guidance to support this process.

The CEC wishes to comment on two issues in the draft application guidelines:

1. Accounting for external funds when applying RITs
2. Integrating the Integrated System Plan (ISP) into RITs

1. Accounting for external funds when applying RITs

The draft application guidelines maintain the position the AER's earlier position that the RIT will treat external funds differently depending on whether they come from parties outside of the National Electricity Market (NEM), such as a government, or NEM participants, such as a generator.

The clean energy industry encourages the AER to reconsider this position. We do not believe it is necessary to distinguish between the different parties. Instead, external funds from any participant or party should be treated equally as an increase to the net benefit of a credible option. The CEC does not consider external funds provided by

participants is a strict wealth transfer as it has already been netted of the regulated costs. In addition, drawing a distinction between different types of contributions adds unnecessary complexity to the RIT process.

2. Integrating the ISP into RITs

The CEC welcomes the additional guidance provided on how to account for the Australian Energy Market Operator's (AEMO's) ISP in RITs. However, we consider there is scope to further incorporate the ISP into the RIT-T framework.

The ISP outlines a pathway for strategic transmission investment to support the development of new energy generation required to ensure reliable, affordable and clean electricity for all Australians. We consider this strategic transmission development plan should be better recognised in the application guidelines, namely by clarifying that a RIT-T proponent has the discretion to utilise AEMO's recommended pathway as outlined in the ISP as the base case in a RIT-T. Not only would this allow RIT-T proponents to leverage the considerable analysis already undertaken by AEMO in preparing its ISP, but it would also ensure coordinated development of strategic investments across the NEM as each individual transmission development project would be considered within the context of an over-arching system plan.

The CEC believes integrating the ISP into the base case is permissible under the National Electricity Rules and can be done in the AER's application guidelines. We also believe regulatory changes outside the scope of the AER's current review are required to ensure the RIT-T is better able to support the large-scale strategic investments needed as part of the energy transition. Consequently, the CEC strongly supports the Australian Energy Market Commission's review of the coordination of generation and transmission investment and the Energy Security Board's work program to convert the ISP into an actionable strategic plan.

Thank you for the opportunity to provide the clean energy industry's views on these matters. Please contact me on the below details for any queries regarding this submission.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lillian Patterson', written in a cursive style.

Lillian Patterson
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