

COAG Energy Council Secretariat  
By email: [energycouncil@industry.gov.au](mailto:energycouncil@industry.gov.au)

20 October 2016

Dear Sir/Madam,

## **Review of the Regulatory Investment Test for Transmission**

Thank you for the opportunity to contribute to this important review. GreenSync is one of Australia's leading energy technology companies with a proven track record of winning RIT projects in the NEM. It is from this position that GreenSync can provide a consumer focussed, innovation driven perspective reflective of the changes occurring in our industry.

GreenSync firmly believes that any changes to the RIT-T process must serve the goal of ensuring that Australian consumers are provided a low cost (including long term cost i.e. carbon), secure electricity supply. The way the consultation paper is framed does not sufficiently recognise this, rather it states a goal of "the development of a truly national, efficient, interconnected NEM" which is merely one possible solution which may achieve the goal. It is GreenSync's view that the presupposition of an interconnected NEM as the solution does not:

1. Enhance Competition and Innovation – Interconnectors, as the only solution options available to satisfy this goal, will see Australia continue to apply the same old approaches and technologies that we have been using for the last 50 years;
2. Empowering Consumers – Traditional network builds explicitly deny consumers the ability to choose, or participate in, the solutions delivered to meet their energy needs;
3. Ongoing Power System Security – The most robust models for power system reliability are networks, but they are no longer large centralised ones, rather the technology now exists to create small, decentralised, self-healing networks which do not have single points of failure;
4. Efficient Investment and Operation of Electricity Infrastructure – The most efficient investment is one which realises benefits for many parties, not one which serves a single need and cannot share or disseminate benefits across energy consumers, producers and networks.

There are fundamental shifts in technology, economics and consumer preferences occurring in the sector. As an industry we need to focus on the requirements to transition and move forward. We must avoid the temptation to apply yesterday's Band-Aid to our very future facing problems.

With regards to the review, the company is concerned that the purpose of the RIT process, i.e. to ensure major investments are economically efficient, is being subjugated due to factors such as new technology, carbon reduction commitments and requirements for ancillary services.

GreenSync believes that these factors make the central tenant of the RIT process even more important. If networks are not valuing ancillary services sufficiently, then that is a factor which should be valued and addressed as part of the process, rather than instead of the process.

Also of concern is the underlying premise that interconnectors are somehow significantly different from other types of transmission investment. In fact, many proposed transmission projects provide very similar benefits to those ascribed to interconnector upgrades.

GreenSync certainly believes that the RIT process in general should be more-timely, efficient, open, inclusive of REPEX as well as AUGEX (and ideally based on TOTEX) as well as on a lower threshold in a 'RIT-Lite' process. The process must also encourage proponents of more flexible, frequently cheaper and lower risk demand side solutions while retaining the goal of maximising societal benefit.

GreenSync questions what deficiencies have been identified in the RIT-T process that warrant a major review.

1. Are there specific aspects of interconnector projects that present particular challenges to the application of the RIT-T?
  - a. The main difference is that wholesale market benefits may accrue, otherwise an interconnector RIT and a standard RIT are very similar. As long as data used to determine a potential market benefit is published then this can be taken into account by a non-network solution provider
2. Do existing transmission planning processes/incentives support the timely initiation of a RIT-T to assess options to relieve existing or emerging transmission constraints?
  - a. Yes.
3. Do the RIT-T process and related planning frameworks adequately take in to account the evolving technology and policy environment? If not, how should they be included as part of the RIT-T process to support assessments/decisions about economically efficient options?
  - a. Specific technologies, approaches or capabilities should not be included in the process, rather all relevant data published, the problem clearly articulated, demand forecasts fixed for the duration of the RIT process, and the most economic option selected.
4. Does the RIT-T process adequately assess all benefits interconnectors provide, including the contribution to efficiently achieve national carbon reduction goals, wholesale market competition and power system security and stability?
  - a. If there is to be a specific RIT-I process, then why are the same benefits not taken into account for standard the RIT-T process? Interconnectors are not unique in providing some or all of these benefits (as demonstrated by South Australia's blackout).
5. Is the RIT-T, as currently framed, appropriate to the assessment of interconnection investments? If not, what changes and/or alternative mechanisms should be considered?
  - a. Yes. No change is required.
6. Are there any particular barriers to the timely and effective conduct of the RIT-T?
  - a. The process is too slow, opaque, and last-minute changes are not uncommon. There are minimum consultation periods in place – but no maximum turnaround times for networks to adhere to.

7. Does the current RIT-T process strike the right balance between speed and efficiency versus a comprehensive and consultative process?
  - a. Notice periods are too long – GreenSync would like to see them halved.
8. Are compliance costs associated with applying the test commensurate with benefits consistent with the guidelines? If not, how could a better balance be achieved?
  - a. Yes, very significant investments are common, so a rigorous process is justified.
9. What has been your experience of the RIT-Ts carried out to date?
  - a. Do you consider that they have delivered timely and effective investment outcomes?
    - i. GreenSync experience of the RIT process is that it has eliminated significant unwarranted transmission investment.
  - b. Do you consider the process has particular issues, problems or limitations?
    - i. Slow, with a reluctance to share data and an opaque decision-making process
10. Should the RIT-T process be streamlined for certain types of investment? If yes, by whom and on what grounds should those investment types be determined?
  - a. Yes, streamlined for all levels, and a ‘lite’ version for smaller RITs
11. Do transmission investment decisions made using the RIT-T take into account the full value of the options considered to those who produce, consume and transport electricity in the NEM?
  - a. No, the option value of a flexible or hybrid solution is not sufficiently valued. Other benefits are either captured under market benefits tests or should be priced in by a functioning ancillary services market or the general economic interest test.
12. Is the current range of allowed costs and benefits appropriate? If not, what other costs or benefits should be captured in the test?
  - a. See 11.
13. Is greater clarity required in the NER or guidelines on how implemented government policies should be accounted for in assessing investment options? Are there other aspects of the NER or guidelines, such as option value assessments, which could be clarified or improved?
  - a. Yes, this is poorly understood and implemented by RIT proponents.
14. Are the transmission businesses best placed to undertake the assessment of interconnection investments in the changing energy market? If not, who should be involved and who should be the final decision maker?
  - a. Under the current regulatory framework the outcome of the RIT process directly affects revenues, this results in conflicting incentives for networks
15. Is the level of oversight afforded to the test sufficient to ensure rigorous consideration of all credible options?

- a. In GreenSync's experience there have been some questionable implementations which should have attracted more rigorous oversight and intervention.

For your consideration,



E. David Anstee  
Commercial Director