

20 October 2016

Energy Project Team  
C/o COAG Energy Council Secretariat  
GPO Box 9839  
Canberra ACT 2601

Submitted by email to [energycouncil@environment.gov.au](mailto:energycouncil@environment.gov.au)

Dear Officials

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

TransGrid welcomes the opportunity to respond to the consultation paper published by the Project Team on 30 September 2016 as part of this review of the regulatory investment test for transmission (RIT-T).

TransGrid is the operator and manager of the high voltage transmission network connecting electricity generators, distributors and major end users in New South Wales and the Australian Capital Territory. TransGrid's network is also interconnected to Queensland and Victoria, and is instrumental to an electricity system that allows for interstate energy trading.

TransGrid agrees that the National Electricity Market (NEM) is undergoing rapid change as Australia transitions to a lower carbon economy and technological developments continue to unfold. TransGrid supports rules and regulations which can adapt and accommodate innovation in this changing environment.

TransGrid further supports a rigorous and transparent framework to assess the investment decisions of regulated network businesses. It is also important that the framework facilitates timely investment decisions which allow the interconnected electricity system to support a well-functioning Australian economy.

TransGrid offers the following observations in relation to the effectiveness of the RIT-T. TransGrid has also contributed to a more detailed response from the Energy Networks Association.

#### **The test must be able to deliver timely investment, including interconnection**

Transmission businesses are best placed to undertake the assessment of any interconnection investments that may be required in the changing energy market. Any consideration of the need for future interconnection investments by a transmission business is informed by a range of factors including the current and future needs of consumers and the National Transmission Network Development Plan published by the Australian Energy Market Operator.

TransGrid would welcome further consideration by the Council of the need to streamline the timeframe for the whole RIT-T process, including the role of the Australian Energy Regulator (AER) as prescribed in the National Electricity Rules.



TransGrid would also support further consideration by the Council to streamline elements of the test for interconnector projects, which are a distinct type of investment necessary for a stable and secure NEM.

### **Further guidance on policy objectives and competition benefits would be beneficial**

The track record of the RIT-T, in particular of interconnector projects, demonstrates that there are benefits that are not easily quantified and therefore are not captured in the RIT-T assessment. One example would be the ability to quantify the benefits from increasing competition in the wholesale market (and therefore reducing volatility in wholesale prices). Another example would be environmental policy objectives (such as the Renewable Energy Target) and how these policies are intended to be captured under the RIT-T, including changes to these policies and the associated effect on the RIT-T evaluation.

It would be appropriate for the AER guidelines to include further clarification or guidance on how these issues should be accounted for in assessing investment options. This would inform transmission businesses how to appropriately consider and model these objectives. This would also be beneficial in providing strategic, long-term policy oversight for participants of the NEM. This would also align with the Council's priority to successfully integrate climate and energy policy at the national level.


### **The test should consider wider impacts beyond the electricity market**

The calculation of wider economic benefits is complex but it should be investigated further in order to appropriately capture the broader net benefits to the Australian economy of the services provided by the electricity sector. This approach exists in other key infrastructure sectors, such as transport which utilises general equilibrium modelling to determine the wider economic benefits of prospective projects. Some examples of likely benefits include sharing inertia between interconnected power networks through sufficient transmission interconnection, increasing security of supply through diversity of transmission line routes, improving renewable generation by allowing geographic diversity through improved system interconnection and allowing for future resource use and growth.

### **TransGrid welcomes further discussion with the Council on this review**

If you would like to discuss any matter raised in this submission, please do not hesitate to contact me on (02) 9284 3088. TransGrid looks forward to engaging further with the Council, Officials and other stakeholders on this important review.

Yours faithfully

  
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