

21 March 2019

Ms Suzanne Falvi
Executive General Manager
Security and Reliability
Australian Energy Market Commission
PO Box A2449

Electronic Lodgement: ERC 0264
Attention: Elizabeth Bowron

Consultation Paper –Integrated System Plan (ISP) Priority Projects- South Australian Energy Transformation (EnergyConnect)

Dear Suzanne,

Energy Networks Australia welcomes the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) to facilitate a more streamlined approach for the regulatory processes that follow the Regulatory Investment Test – Transmission (RIT-T) process for the EnergyConnect project¹. Energy Networks Australia will respond separately to a further rule change proposed by the Energy Security Board (ESB) seeking amendments to NER clauses 6A.8.2 (b) (1) and 6.6A.2 (b) (1).

Energy Networks Australia supports the ESB’s proposed rule change for the EnergyConnect project and supports the rule change proceeding under the expedited process.

Energy Networks Australia is the national industry body representing businesses operating Australia’s electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia.

¹ In ElectraNet’s revenue determination this contingent project is called South Australian Energy Transformation, in TransGrid’s revenue determination this contingent project is called the New South Wales to South Australia interconnector. Both projects may need to be covered in the final rule.

Support the expedited rule change

The ESB proposed rule change applies to the EnergyConnect project. The proposed changes seeks to permit two post RIT-T processes to run concurrently rather than sequentially, namely:

- » The Australian Energy Regulator's (AER) determination on the preferred option for the investment identified in the RIT-T under clause 5.16.6; and
- » The contingent project application and assessment for the required revenue allowance for the delivery of EnergyConnect under clause 6A.8.2.

The AER undertakes both of these post RIT-T processes, hence we consider there are no material costs in allowing these two processes to be undertaken concurrently, and time is vital as further delays will only cost customers.

The EnergyConnect RIT-T process is now complete. The dispute notice period closed on 15 March 2019, and one dispute notification was received. While the Rules prevent an application for a determination under clause 5.16.6 to be lodged during the dispute notice period, nothing under the Rules prevents lodgement of such an application after this time, whether or not a dispute is then on foot.

Energy Networks Australia therefore suggests that resolution of disputes should be able to occur while the AER is undertaking these two regulatory processes. The ESB intent is that the sequencing of AER decisions would still progress in the same order, but as parallel rather than sequential processes. We urge the same to occur for this ISP project in order to avoid unnecessary delays. The analysis in the EnergyConnect Project Assessment Conclusions Report shows that the project will start delivering fuel cost savings of over \$100m pa as soon as it is completed.

In order to remove any ambiguity over this, and in keeping with the intent of the proposed Rule, it is therefore recommended that a provision be included in the final Rule allowing for the processing of a 5.16.6 determination and contingent application concurrently with a dispute.

Similarly, the AEMC should ensure that the associated rule in relation to the QNI and VNI upgrades meets the intent of the rule change request to run the three post RIT-T processes concurrently.

Timely application for amendment of revenue determination at any time of year

As we noted in our last submission on 21 February 2019, in order to meet the ESB's stated intent, there is also benefit in removing the operation of clause 6A.8.2 (b) (1) for the purposes of this project which otherwise prevents an application for a contingent project revenue determination being made to the AER for 90 business days (about 4.5 months) prior to the end of the regulatory year. The continued operation of this clause would create an unnecessary delay to this ISP project being assessed for cost recovery.

Energy Networks Australia would not want to see this clause prevent formal application to the AER until after 1 July 2019 and delay an AER decision which

provides investment certainty. Such delay would only serve to delay the cost savings to consumers noted above.

As a consequence of removing the operation of clause 6A.8.2 (b) (1), in clauses 6A.8.2 (b) (2) and (2A) the 'subject to paragraph (1)' would also need to be removed, leaving the AER to address the timing of revenue recovery in the contingent project determination.

The Energy Security Board has lodged a rule change request with the AEMC to deal separately with this issue. This rule change to amend Rules 6A.8.2 (b) (1) and 6.6A.2(b) (1) has commenced consultation with the objection to an expedited rule change closing the same day as lodgement of this submission. However, subject to no objections to the expedited process for this further rule change, the earliest that these amendments to enable a more timely application for a contingent project revenue determination could be made is 2 May 2019. In the event a normal rule change process were adopted this would delay the contingent project application until 1 July 2019.

Energy Networks Australia considers that these proposed amendments should not alter the rule change from the expedited path and seeks appropriate drafting that enables ElectraNet and TransGrid to seek the required revenue under 6A.8.2 earlier than the 1 July date which may be the case depending on the timing of the AEMC's rule determinations.

Savings and Transitional Rules

Similar to the first rule change lodged by the ESB in December 2018, Energy Networks Australia recommends that drafting in relation to this ISP Priority project includes specific reference to both ElectraNet's revenue determination where this contingent project is called South Australian Energy Transformation, and also TransGrid's revenue determination where this project is called the New South Wales to South Australia interconnector.

The AEMC is not expected to make a rule determination on this Rule change proposal until 18 April 2019. Energy Networks Australia recommends a further transitional provision be included in the drafting of this rule to cater for the possibility that ElectraNet may have already requested the AER to make a decision on this project under Rule 5.16.6 before 18 April 2019 (in the event the dispute is resolved prior to this date).

Should you have any queries on this response please feel free to contact Verity Watson, vwatson@energynetworks.com.au.

Yours sincerely,



Andrew Dillon

Chief Executive Officer