

2/04/2019

Mr John Pierce
Chair
Australian Energy Market Commission
PO Box A2449
Sydney NSW 1235

Lodged online via: www.aemc.gov.au

Dear John,

AEMC consultation paper on application period for contingent project revenue rule change request

TransGrid welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC's) consultation paper on a rule change request from Dr Kerry Schott AO, Chair of the Energy Security Board relating to the application period for contingent project revenue.

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.

Australia is in the midst of an energy transformation. This is primarily driven by changing community expectations and choices, advances in renewable energy technologies, retirement of existing generation, and the adjustments required in Australia's economy to meet our international climate change commitments. These changes raise complex issues in relation to the design of the National Electricity Market, which must adapt to these changes and provide the basis for low emissions, reliable supply at the lowest cost to consumers over the long run.

TransGrid understands that the rule change request seeks to amend the National Electricity Rules (NER) such that they:

- Would no longer prevent a contingent project application from being submitted in the 90 business days before the end of a regulatory year, except where that regulatory year is the last year of a regulatory control period.
- Would recognise that any incremental revenues approved by the Australian Energy Regulator in respect of a contingent project application submitted during the 90 business day window could not start to be recovered by the relevant network service provider until the second regulatory year that commences after the application is submitted.

While the proposed rule change would apply to all contingent project applications by transmission and distribution network service providers, the issue has been identified in the context of the AEMC's consideration of rule changes to speed up regulatory processes for certain projects identified in the Australian Energy Market Operator's 2018 Integrated System Plan, those being:

- proposed minor upgrades to the Queensland to New South Wales interconnector and the Victoria to New South Wales interconnector and
- a proposed new interconnector between South Australia and New South Wales (now known as Project EnergyConnect).

The rule change request states that transmission network service providers have identified that the NER currently prohibit network service providers from submitting a contingent project application within 90 business days prior to the end of a regulatory year which may unnecessarily delay time critical projects.

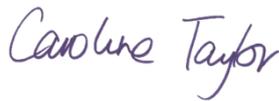
TransGrid supports the intent of the proposed rule change

TransGrid supports the intent of the rule change request as we consider it would help reduce the potential for any unnecessary delay to the commencement of a revenue determination process for contingent projects. This would provide the potential for a reduction in the overall timeframe for regulatory approval processes that occur after a regulatory investment test for transmission (RIT-T) has been undertaken for contingent projects and provide certainty to the market about the status of these projects sooner.

We note that the proposed rule does not remove the requirement in the NER that a network service provider must not submit a contingent project application in the final year of a regulatory control period. This requirement should also be removed as it could unnecessarily delay the approval of projects and the certainty that this provides.

We appreciate the opportunity to comment on the AEMC's consultation paper on the application period for contingent project revenue rule change request rule change request. If you would like to discuss our submission, please contact Neil Howes on 02 9284 3748.

Yours faithfully



Caroline Taylor
Head of Public Policy, Policy and Corporate Affairs