

2018 webinar series

# Future Transmission Network

## Update on recent NER changes to the TAPR and RIT-T



# Update on recent NER changes

- Rationale for regulatory changes
- Key changes and benefits
- Overview of the RIT-T process
- Approach to non-network engagement

# Expected outcome for today's audience



Drivers for  
change

Awareness of key  
changes to  
TAPR and RIT-T

Purpose and  
content of  
the TAPR

RIT-T  
process

Impact on  
investment  
program

Powerlink's current and  
proposed stakeholder  
engagement practices for  
non-network providers



# Drivers for regulatory changes

- Energy industry is going through a period of transformation
- Heightened focus on increasing transparency and consultation for network investments due to rising electricity costs
- Greater potential for non-network solutions to deliver cost efficiencies in a changing environment
- Non-network options may provide a level of flexibility and support, improving the utilisation of the transmission network
- To provide more detailed data to assist customers who may be considering a connection to the transmission network



Changes brought about by two separate Rule determinations during 2017:

1. Transmission connection and planning arrangements Rule
2. Replacement expenditure planning arrangements Rule

**These increase information provision in the TAPR and extend the application of the RIT-T to the replacement of network assets.**

# TAPR

- Results of an annual planning review (minimum of 10 years forward looking)
- First step in the public consultation process for potential future regulated investments or non-network solutions



## Benefits

1. Indicative information is available earlier in the TAPR
2. Anticipate increased opportunities for non-network solutions due to advancements in existing and new technologies
3. Achieving the right balance between reliability and the cost of transmission services which will benefit consumers

- Transmission connection and planning arrangements
  - Additional planning information is required e.g. sources of input information, assumptions/methodology, development of new load growth scenarios
  - Information on joint planning undertaken
  - Analysis and explanation of any aspects of the TAPR which have changed from the preceding year
  - Requires the Australian Energy Regulator (AER) to produce TAPR Guidelines to align treatment of content, language and format



- Replacement and expenditure planning arrangements
  - Removes the cost threshold for asset replacements identified in the TAPR (previously \$6 million)
  - Extends the annual planning review to consider the condition of network assets and their replacement in the context of benefits to the National Electricity Market (NEM) for the minimum planning period
  - Aligns the reporting requirements for augmentation and asset replacement (therefore increases information for RIT-T projects)
  - Includes reporting on planned asset retirement and classes of assets
  - Information on approach to asset management, including asset management strategy

# Summary of key TAPR changes



- Transparency and consistency across TAPRs in relation to:
  - network planning
  - asset management
  - investment decision making, including asset retirements and de-ratings
  
- Provides advanced indicative information for non-network providers

# RIT-T process overview

- Background
- Purpose and identification
- RIT-T consultation process overview



Public cost-benefit analysis test of potential transmission network investments – technology neutral to encourage competition

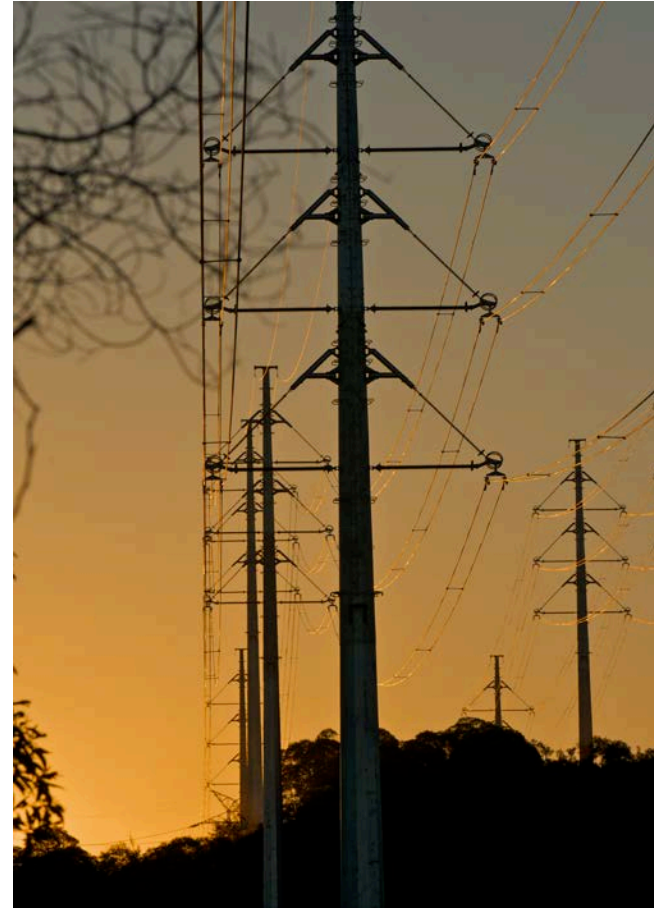
- Predecessor – Regulatory Test
- RIT-T (Augmentation) came into effect August 2010
- RIT-T (Replacement) commenced 18 September 2017





# Purpose of the RIT-T

The purpose of the RIT-T is to identify the credible option (the ‘preferred option’) that maximises the present value of net economic benefit to the *market* - all those who produce, consume and transport electricity in the NEM.



The requirement to undertake a RIT-T occurs:

“Where at least one potential credible option to address the identified need includes investment in a network or non-network option with an estimated capital cost of \$6 million or greater.”

Options must be *credible*:

- meet the identified need
- technically and commercially feasible
- able to be implemented in sufficient time

- Rules and Application Guidelines are prescriptive regarding the methodology to be applied in the cost-benefit analysis.
- Individual options may have different classes of *market benefits* e.g. changes in fuel consumption depending on generation location, differences in the timing of expenditure, changes in network losses.
- Where relevant, overall analysis is applied across a range of plausible scenarios (probability weighted potential futures), rather than one state of the world.
- These considerations have the potential to influence the cost of an option over time.

# RIT-T consultation process



## Project Specification Consultation Report

Consultation period: minimum of 12 weeks



## Project Assessment Draft Report

Consultation period: minimum of six weeks.  
Where applicable, exemption may be applied as per the NER



## Project Assessment Conclusions Report

Publish as soon as practicable after the Project Assessment Draft Report  
consultation period has ended





## 1. The Project Specification Consultation Report must include:

- A description of the *identified need*
- Demand forecasts and load profiles
- Assumptions (e.g. supply and demand, asset life)
- A description of the credible options to address the need
- Estimated capital costs and operating expenses
- Consideration of material impact on other TNSPs
- Identification of the relevant classes of market benefits
- Technical characteristics of a non-network option
- A request for submissions

Minimum consultation period of 12 weeks.

## 2. The Project Assessment Draft Report must include:

- All the information contained in the PSCR
- The development of scenarios (used for the calculation of market benefits)
- A summary of submissions received
- A discussion on any resultant meetings with non-network providers or other stakeholders
- New or refined options which may have been developed as a result of the information received from submissions (network and non-network or a combination of both)
- A break-down of the costs of options, probability weightings of scenarios, detailed results of the cost-benefit analysis and associated sensitivity analysis
- Identification of the '*preferred option*'
- A request for submissions

Minimum consultation period of six weeks.

## Option for PADR exemption (fast-track)

- For needs where the preferred option does not exceed \$41 million and there are no market benefits associated with the credible options, the PSCR must identify:
  - (i) the proposed preferred option
  - (ii) reasons for the proposed preferred option; and
  - (iii) why the RIT-T project has the benefit of exemption

Minimum consultation period is in line with the PSCR – a minimum of 12 weeks.

## 3. The Project Assessment Conclusions Report must include:

- All the information contained in the PADR
- A summary of submissions received
- A discussion on any resultant meetings with non-network providers or other stakeholders
- New or refined options which may have been developed as a result of the information received from submissions (network and non-network or a combination of both)
- A break-down of the costs of options, probability weightings of scenarios, detailed results of the cost-benefit analysis and associated sensitivity analysis
- A statement as to why the proposed preferred option satisfies the RIT-T prescribed by the AER



# Summary of key RIT-T changes

- Augmentation and network asset replacements are now treated equally under the NER
- Envisage more opportunities for non-network solutions in the future



# Impact on investment program



Identified need timing	Select option 24 months prior to comm (average)	Undertake and finalise RIT-T	Commence project	Commissioning
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BAU prior to 18 September 2017	Oct-20	Sep-18	N/A	Oct-18	Oct-20
BAU post 18 September 2017 retrospective	Oct-20	Sep-18	Oct-19	Oct-19	Oct-21
BAU post 18 September 2017 forward looking	Oct-21	Sep-18	Oct-19	Oct-19	Oct-21
BAU post 18 September 2017 forward looking	Oct-22	Sep-19	Oct-20	Nov-20	Oct-22

# Engaging with our stakeholders



Powerlink will continue extended engagement activities in relation to the TAPR including:

- Presentations and topical break-out sessions at Powerlink's Transmission Network Forum
- Publication of Transmission Network Forum presentations, videos and stakeholder feedback on Powerlink's website
- Advising Non-Network Engagement Stakeholder Register (NNESR) members and the NEM of TAPR publication and other relevant updates
- Use of social media



# Engaging with our stakeholders



Continue to be proactive in seeking potential non-network solutions for possible future investments which may fall below the RIT-T cost threshold via Powerlink's Non-Network Feasibility Study process.



Powerlink will undertake additional engagement activities for RIT-Ts for more complex consultations or those requiring the three stage process.

We encourage non-network providers to become members of our Non-Network Engagement Stakeholder Register to become involved in additional informal activities such as:

- Website updates on upcoming RIT-Ts
- Forums
- Webinars

The RIT-T is a fluid and iterative process which is likely to require a mutual exchange of information, beyond that provided in the consultation documents for credible non-network options due to:

- the specific nature of technical requirements
- other factors such as type of solution, location and network topography

Meaningful engagement through the RIT-T process is a key enabler to deliver successful RIT-T outcomes and to meet the National Electricity Objective.

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More general information is also available on Powerlink's website:

[www.powerlink.com.au](http://www.powerlink.com.au)



# Thank you



We appreciate your participation in today's webinar.

Any comments or suggestions?

