# What is the RIT-T?

The Regulatory Investment Test for Transmission (RIT-T) is a public cost-benefit analysis test that we apply to potential prescribed (regulated) investments in the transmission network that exceed $7 million.[1]

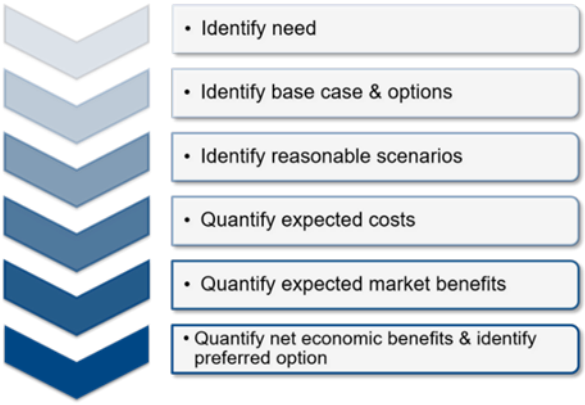
The purpose of the RIT-T is to identify the credible network or non-network option to address the *identified need* at the greatest net benefit, or least net cost, to the National Electricity Market (NEM).

*Network option* – includes investment in transmission assets, such as building a new transmission line or replacing a transformer.

*Non-network option* – includes services provided by customers, such as demand management, energy storage or generation, that replaces or delays investment in network assets. A non-network option may address part of an identified need only and be proposed in conjunction with a reduced network option.

## What does the RIT-T do?

The broad steps in applying the RIT-T are:




The RIT-T ranks different options to identify the *preferred option*, which is the option with the highest positive net present value (NPV), or lowest negative NPV where the need is to meet a *reliability corrective action* or to provide *inertia network services* or *system strength services*.

Options are ranked relative to a 'base case' which could be a 'do nothing' or 'business as usual' response to the need.

The RIT-T analysis takes capital, operating and compliance costs into account. Examples of benefits include change in fuel consumption (through enabling lower cost generation to be dispatched), reductions to voluntary load curtailment or involuntary load shedding, and changes to the timing of other investments.

Scenarios describe different states of the world (e.g. establishment of a hydrogen export industry) and have different input or parameter values, such as discount rates and demand growth. Sensitivity testing is also performed to assess the robustness of the outcome for changes to inputs and parameter values.

## RIT-T consultation

The three main documents in the RIT-T process are the:

- Project Specification Consultation Report (PSCR) – describes the need, credible network options to address the need and technical information to encourage non-network options. The minimum consultation period is 12 weeks;
- Project Assessment Draft Report (PADR) – provides NPV assessment of credible options and identifies a preferred option. The minimum consultation period is six weeks but in certain circumstances, such as where no submissions on the PSCR identify credible options that could deliver a market benefit, the PADR can be omitted from the process; and
- Project Assessment Conclusions Report (PACR) – provides a summary of and responds to submissions, updates the NPV assessment if required and identifies the *preferred option*.

## Context of the RIT-T

Information on electricity transmission network limitations is available in the *Integrated System Plan* (*ISP*), and our RIT-Ts and *Transmission Annual Planning Reports* (*TAPRs*).

The *ISP* is a strategic, long-term development plan for the national transmission system over a 20-year horizon. The Australian Energy Market Operator publishes the *ISP* every two years.

Our *TAPRs* are published by 31 October every year and provide information on network planning activities over a five to 10 year period.

RIT-Ts assess the most cost-effective approach to renew or expand our transmission network. RIT-Ts focus on options to address individual network needs that must be met in the next two to three years.

## Engaging with our customers

We recognise the role customers and other stakeholders play in helping to shape solutions to emerging network limitations.

When we plan our engagement for a RIT-T we have regard to our RIT-T Stakeholder Engagement Matrix. Depending on the significance of the project, engagement activities may include fact sheets, webinars, stakeholder briefings, dedicated forums, and methodology papers.

We also maintain a Non-network Engagement Stakeholder Register to keep potential non-network solution providers informed about upcoming opportunities.

## Reapplication of the RIT-T

If, after publishing a PACR, there is a *material change in circumstances* such that the *preferred option* is no longer preferred, Powerlink must reapply the RIT-T unless otherwise determined by the Australian Energy Regulator (AER).

From October 2023 Powerlink will be required to:

- notify the AER of a *material change in circumstances* and propose a course of action to take, which may include reapplying the RIT-T in part or in full; and
- consult, in PADRs, on triggers to reopen the RIT-T after publication of the PACR for projects with an estimated cost over $100 million.[2]

## RIT-T disputes

Energy industry participants and interested parties can dispute conclusions made in the PACR in relation to our application of the RIT-T, classification of a *preferred option* as a *reliability corrective action*, or assessment of whether the *preferred option* will have a *material inter-network impact*.

Interested parties includes consumers or their representatives who have the potential to suffer a material and adverse NEM impact from the *preferred option*. This could be a reduction in a consumer's quality or reliability of electricity supply, or constraints on a network operator's ability to undertake its functions.

Unless the AER considers that the dispute is misconceived or lacking in substance, it will make a determination within 100 days of receipt. The AER may also request further information from us and/or the party who raised the dispute.

The AER may direct us to amend a PACR if it finds that:

- we have not correctly applied the RIT-T;
- we have incorrectly classified the *preferred option* as being for *reliability corrective action*;
- we have not correctly assessed whether the preferred option will have a *material inter-network impact*; or
- there was a manifest error in our calculations.[3]

More information is available on Powerlink's website.

1. The National Electricity Rules require a RIT-T to be undertaken for investments in excess of $5 million. The AER reviews the cost thresholds ever three years. As of November 2021, the threshold is $7 million.

2. Refer to the Australian Energy Market Commission's Material Change in Network Infrastructure Project Costs rule change.

3. Refer to section 5 of the AER's RIT-T Application Guidelines.