

22 March 2019

Suzanne Falvi
Executive General Manager
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235



Dear Ms Falvi,

Submission to consultation paper on ISP priority projects – SA Energy Transformation

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the AEMC's consultation paper.

The National Energy Market (NEM) is in the middle of a transformation from an energy system relying primarily on centralised, fossil-fuel generation with passive demand, to one with a low- or zero-emission generation fleet interacting with more sophisticated and active demand-side behaviour. In order to fully unlock the benefits of this transition, some investment will be required in the transmission and distribution networks.

At the same time, the NEM is also facing a crisis of affordability for many residential, commercial and industrial consumers. This creates tension between new investment to unlock the benefits of the future energy system and avoiding exacerbating the current affordability issues. This tension underpins and highlights the need for both robust planning and regulatory oversight of this network investment and is discussed further in a number of submissions to related processes.¹

Proposed assessment framework

The AEMC propose to use the following principles in interpreting the NEO for this rule change determination:

- Making the investment at the right time
- Minimising inefficient increases in regulatory cost
- Promoting certainty for the market about project status.

We broadly agree with the first two principles with some caveats described below.

Firstly, while we agree it is important that the investment be made at the right time, consideration must be symmetrical. Accordingly, this must also consider the potential impacts on the price-reliability trade-off should an investment be made too early, not just if it is made too late as the AEMC have proposed.

¹ For example: PIAC, [Submission to Coordination of Generation and Transmission Investment options paper](#), October 2018.

Secondly, the grounds for considering regulatory burden should be reversed in this particular case. The rule change does not propose to add a new level of regulatory oversight – indeed it intends to reduce it, by adjusting existing processes and reducing the time given to the regulator to make its decisions. It is necessary then, to start from the basis of the current level of regulatory protections for consumers. The burden of proof must involve demonstrating that the proposed change to the existing regulatory framework is a) necessary and b) that the reduced timeframes will result in efficiency benefits for consumers. It is neither appropriate nor necessary that this process involve a level of ‘positive proof’, and any obligation to justify the need to retain existing regulations.

We consider the third principle to be unnecessary for this rule change. The question of certainty for the SA-NSW interconnector can largely be subsumed into the first principle regarding the efficient timing of the investment.

Further, certainty of an investment is not necessarily in consumers’ interest. It is not in the interest of consumers to build a large, capital-intensive project purely because the decision-making processes were locked in and unresponsive to changing conditions – this would provide high levels of investment certainty but in a way that was completely divorced from the actual timing or need for the investment itself. Accordingly, PIAC recommends that this principle be removed.

Scope of the rule change

It is important that this rule change is limited only to the current SA-NSW interconnector proposal identified in the 2018 Integrated System Plan (ISP) and the subject of ElectraNet’s RIT-T. PIAC considers this is a unique situation as this is the first iteration of the ISP. This has meant that the time between the publication of the 2018 ISP and the date the modelled investment is needed, is relatively short. PIAC does not expect, nor can we accept, this becoming routine for ISP projects. We recommend expressly excluding this project (and this process to expedite it) from serving as a precedent in any potential future project assessment processes.

Capable of support

Assuming the issues outlined above are addressed, PIAC is capable of accepting, if not supporting, this rule change proposal.

Continued engagement

PIAC would welcome the opportunity to meet with the AEMC and other stakeholders to discuss these issues in more depth.

Yours sincerely,

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