

Senate Select Committee into Energy Planning and Regulation in Australia

AEMC response to question taken on notice, 23 October 2024

Hansard p54, Senator Canavan:

On p15 of this determination, you said: “one consequence of these processes is that projects seeking feedback loops are unlikely to see their status as part of the ODP – the optimal development pathway – change due to consultation on a draft ISP”.

My understanding is: a project goes out to consultation, after being included in the draft ISP; there’s a loop back – this feedback loop – to check that it’s an optimal project, I suppose, for want of a better word. Are you saying now that, because of these rule changes, any consultation is unlikely to change its status in that pathway?

Hansard p59, Senator Canavan:

I want to clarify something. You might want to take this question on notice and go back and look at the evidence. I thought that earlier you might have said that you felt there was sufficient consultation done on the ODP before you get to this consultation issue, but I’ve been informed that there is no consultation on the ODP before it gets to the draft ISP. Can you clarify that? I’m getting told different things.

Response

The AEMC agrees that an ODP has not been consulted on at the time of publication of a draft ISP. Consultation on the ODP is undertaken through consultation that occurs on the draft ISP itself.

The AEMC rule change to allow the feedback loop to proceed, on the basis of a draft ISP, balanced the benefits to consumers of further consultation at this point of a particular project, with the length of the regulatory process that had already been undertaken to determine that a project should proceed. Consultation would have occurred on these projects and it must have appeared in a previous ISP to become actionable - possibly multiple previous ISPs. In addition, it would have been consulted on through the RIT-T process, as part of the regulatory framework.

The feedback loop was introduced as part of the actionable ISP reforms and is designed as a safeguard for consumers.

Completing the feedback loop process requires AEMO to provide written confirmation that an actionable project addresses the identified need and aligns with the Optimal Development Path (ODP) outlined in the most recent draft or final ISP. AEMO must also confirm that the costs of the preferred option does not change the status of the project on the ODP.

To be eligible for a feedback loop assessment by AEMO, a project must have completed the Regulatory Investment Test for Transmission (RIT-T) process, which examines detailed technical analysis of credible project options.

Project options are outlined in a Project Assessment Draft Report (PADR), which includes a minimum six-week consultation period, and the Project Assessment Conclusions Report (PACR), which responds to matters raised in submissions to the PADR.

A RIT-T proponent must complete the RIT-T process if it has been deemed actionable in an ISP. Projects at the feedback loop stage of the ISP framework will have appeared in at least one, but likely multiple, final ISPs. This is because the timeframes for the RIT-T processes are not specified and are a function of the individual project's complexity.

In preparing the final ISP, AEMO is required to consult on the draft ISP as outlined in clauses 5.22.11(3) of the NER. Taking this process with the RIT-T processes together, it is unlikely that consultation on the draft ISP will result in changes to the status of actionable ISP projects that might request a feedback loop assessment in the six-month window between the publication of a draft and final ISP.

As part of our Transmission Planning and Investment Review, we recommended clarifying the required inputs and timing for AEMO to conduct a feedback loop assessment to improve its operation. This was in response to concerns that it was not supporting efficient and timely decision-making.

This recommendation resulted in a rule change request from the Federal Minister for Energy, Chris Bowen, and on 7 March 2024, we published a final rule determination, *Improving the workability of the feedback loop*. The objective of the rule change was to provide a well functioning and robust transmission infrastructure planning and investment framework for actionable ISP projects that operates in the long-term interests of consumers.

Amongst other changes, the AEMC's final rule allows AEMO to undertake its feedback loop assessment against the ODP in the most recent ISP (draft or final). This allows AEMO to have regard to the most up to date information in making its feedback loop assessment.

ENDS.