

Select Committee on Energy Planning and Regulation in Australia
Answers to questions on notice
Climate Change, Energy, the Environment and Water Portfolio

Inquiry: Select Committee on Energy Planning and Regulation in Australia
Question No: IQ24-000180
Hearing Date: 29 October 2024
Division/Agency: Electricity Division
Topic: Non-network options
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Question Date: 29 October 2024
Question Type: Spoken

Senator Van asked:

CHAIR: That's a very good point. You talked about non-network options; there is no driver for them to actually put forward realistic non-network options. In the ISP path there are no non-network options that are put forward as alternatives, so the proponents have little or no incentive to put non-network options in there. Have a look at the VNI West PADR. It's given such short shrift that it's embarrassing.

Ms Gowans: We can provide more on notice about this, but there is a requirement to provide non-network options or to present non-network options as part of the RIT-T.

CHAIR: And then dismiss them?

Ms Gowans: I couldn't comment on whether they're then dismissed. It is a requirement of the RIT-T that non-network options are put forward and evaluated as part of the assessment of which is the best way to deliver that outcome for the national electricity market.

Answer:

Under the regulatory investment test for transmission (RIT-T), non-network options must be considered as part of the assessment to determine the best way to deliver required outcomes for the National Electricity Market. When the Integrated System Plan (ISP) was embedded in the National Electricity Rules (NER), it was designed so non-network options would be considered, both through ISP development and through RIT-Ts on actionable ISP projects.

Specifically, in Chapter 5 of the NER:

- Clause 5.14.4 specifies that transmission network service providers (TNSPs) and the Australian Energy Market Operator (AEMO) have joint planning requirements in preparing the ISP, which include providing information in relation to non-network options and conducting a preliminary review of non-network options submitted to AEMO following a draft ISP.
- Clause 5.22.12 requires AEMO to publish a notice when it publishes a draft ISP that requests submissions for non-network options and details the technical characteristics that those options must meet. Proponents of non-network options have 12 weeks to submit proposals to AEMO following the draft ISP, after which AEMO and the relevant TNSP reviews proposals as part of the joint planning process. If AEMO concludes that a proposed non-network option is reasonably likely to meet the identified need, the TNSP must assess that proposal in a public document under the subsequent RIT-T process.
- Sub-clause 5.22.6(a)(6)(iv) requires the ISP to specify, for each actionable ISP project, the non-network options that AEMO considered in the ISP process in relation to that actionable ISP project.

- Clause 5.22.14 requires that if AEMO's final ISP identifies an actionable ISP project that was not included in the draft ISP, it must publish a notice requesting submissions for non-network options (similar to the notice provided under Clause 5.22.12).
 - For instance, AEMO recently publicly called for non-network options on four projects first identified as actionable in the final 2024 ISP (Sydney Ring South, Mid-North South Australia REZ Expansion, Waddamana to Palmerston transfer capability upgrade, Queensland-NSW Interconnector Connect).
- Clause 5.15A.3(7) requires the RIT-T to specify that the RIT-T proponent must consider non-network options identified in the ISP as being reasonably likely to meet the relevant identified need in the ISP. Proponents must also consider any new credible options that were not previously considered in the ISP, including any non-network options submitted to AEMO in response to its draft ISP.
 - As an example, Transgrid assessed implementing a battery energy storage system (BESS) as a non-network option in the Victoria to NSW interconnector upgrade RIT-T. The BESS was not selected as it was not expected to return a positive net market benefit. In its Project Assessment Draft Report, Transgrid published a high-level analysis and noted that this was due to the commercially confidential nature of information from the non-network proponent.

Separately, while not an actionable ISP project, Transgrid's preferred option identified through its 'Maintaining reliable supply to the north west slopes area' RIT-T in 30 June 2020 included a BESS. This is an example of how non-network options are selected when they are expected to maximise the net economic benefit in the National Electricity Market.