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8 September 2023

Mr Gavin Fox  
(A/g) General Manager, Market Performance  
Australian Energy Regulator  
GPO Box 520  
Melbourne Victoria 3001

Via: [RITguidelines@aer.gov.au](mailto:RITguidelines@aer.gov.au)

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Dear Mr Fox,

**Review of the cost benefit analysis guidelines and RIT application guidelines  
– Draft Amendments**

Iberdrola Australia welcomes the opportunity to provide a submission to the AER on the Review of the cost benefit analysis guidelines and RIT application guidelines: Consultation Paper.

The Iberdrola Group has become one of the leaders in the Australian renewable energy market after acquiring Infigen Energy in 2020. The company operates more than 1.5 GW of solar, wind and storage batteries in Australia and has a significant portfolio of projects, of which 453 MW are under construction and more than 1,000 are in various stages of development.

Iberdrola is also recognised globally by its experience building, operating and maintaining electricity lines, substations, transformation centres and other infrastructures to transfer electrical power from the production centres to the end user across relevant jurisdictions as Spain, UK, US and Brazil. Iberdrola currently operates one of the world's largest power systems, comprising more than 1.3 million km of transmission and distribution power lines and more than 4,400 substations, which carry electricity to more than 34 million people around the planet. Forty percent of the group's organic investment for the period 2020-2025 (more than €27 billion) will go to the networks area. Iberdrola Australia is actively looking to fully roll-out these capabilities in country, demonstrating its strong commitment to Australia's energy transition.

Australia urgently needs to progress its transition to a low carbon electricity system, constructing both new renewable generation and storage as well as the transmission to

connect them to customers. As has already been identified<sup>1</sup> by the AEMC, the Regulatory Investment Test (RIT), is actually designed to slow down new investment in electricity networks at both the distribution and transmission level.

We support the AER's draft amendments that will require the use of the Advancement of Cost Engineering (AACE) system to categorise estimates and the requirement to undertake sensitivity analyses for projects valued at over \$100 million.

We also support the AER's draft amendments that require the regulated monopoly Network Service Providers (NSPs) to develop reopening triggers for identifying when a material change has occurred, for project valued at more than \$100 million.

However, we remain concerned that AEMO, as a RIT-Transmission (RIT-T) proponent is not required to develop reopening triggers. We are also concerned that the NSPs, particularly the Transmission NSPs will develop reopening triggers in such a way that they will never be triggered, even if a clear material change has occurred.

There is some comfort in that the reopening triggers will be consulted on during the RIT- T process, but the AER will need to have the ability to ensure that if submissions reasonably identify a need for a reopening trigger that is either not adequately defined by the TNSP or was not originally identified by the TNSP, that the trigger is adopted.

The AER proposes to use the AEMC's proposed a definition of "early works" which will, through the process of a rule change proposal, be incorporated into the Rules: "...activities that are completed prior to the construction of the preferred option, to improve the accuracy of cost estimates, and/or to ensure that a project can be delivered within the time frames specified by the most recent ISP."<sup>2</sup>

It is important to balance the improvement in cost estimates through early works versus the likelihood that breaking up a large project into a series of separately funded "activities" will result in increased costs to customers. We remain concerned that "activities" in the early works definition remains troublingly loose.

We recognise the need for flexibility, but we would prefer that there is a level of prescription in defining the activities that constitute early works, as this would provide clarity to both the NSP and stakeholders.

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<sup>1</sup> [https://www.aemc.gov.au/sites/default/files/2022-09/transmission\\_planning\\_and\\_investment\\_review\\_-\\_stage\\_3\\_draft\\_report.pdf](https://www.aemc.gov.au/sites/default/files/2022-09/transmission_planning_and_investment_review_-_stage_3_draft_report.pdf)

<sup>2</sup> <https://www.aer.gov.au/system/files/AER%20-%20Consultation%20paper%20-%20Review%20of%20the%20cost%20benefit%20analysis%20guidelines%20and%20RIT%20application%20guidelines%20-%2018%20May%202023.pdf>

As we raised in our previous submission<sup>3</sup>, we would prefer to see AEMO define what activities constitute early works, including a delivery time frame for when the early works should be commenced and completed, for any transmission project identified in the optimal development pathway of the Integrated System Plan (ISP).

By just working to streamline the regulatory framework, the opportunities to both expedite and reduce the costs of delivering new transmission lines by opening up the market, including ISP Projects, to competition, are being lost. Both the delays to building new transmission and focusing on the regulated model for delivery, increases the costs experienced by Australians.<sup>4,5</sup>

Thank you for the opportunity to comment and we look forward to continuing to work with the AER to update elements of the Regulatory Investment Test. If you would like to discuss any of the issues raised in this submission, please contact Maheshini (Mesh) Weerackoon via email at [Maheshini.Weerackoon@iberdrola.com.au](mailto:Maheshini.Weerackoon@iberdrola.com.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ricardo Da Silva', is written over a horizontal line. The signature is stylized and cursive.

Ricardo Da Silva  
Network Business Development Manager

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<sup>3</sup>[https://www.aer.gov.au/system/files/Iberdrola%20%E2%80%93%20Submission%20to%20consultation%20paper%20on%20Guideline%20Review%20%E2%80%93%2019%20June%202023\\_0.pdf](https://www.aer.gov.au/system/files/Iberdrola%20%E2%80%93%20Submission%20to%20consultation%20paper%20on%20Guideline%20Review%20%E2%80%93%2019%20June%202023_0.pdf)

<sup>4</sup> [https://nexaadvisory.com.au/site/wp-content/uploads/2022/06/Report-Modelling-Electricity-bill-impact-due-to-transmission-delay\\_2022-06-07.pdf](https://nexaadvisory.com.au/site/wp-content/uploads/2022/06/Report-Modelling-Electricity-bill-impact-due-to-transmission-delay_2022-06-07.pdf)

<sup>5</sup> [https://nexaadvisory.com.au/site/wp-content/uploads/2023/06/Nexa-Advisory\\_Transmission-Contestability-in-Australia-Research-Report-June-2023.pdf](https://nexaadvisory.com.au/site/wp-content/uploads/2023/06/Nexa-Advisory_Transmission-Contestability-in-Australia-Research-Report-June-2023.pdf)