

ABN 70 250 995 390

180 Thomas Street, Sydney
PO Box A1000 Sydney South
NSW 1235 Australia
T (02) 9284 3000
F (02) 9284 3456

Thursday, 18 April 2024

Dr Kris Funston
Executive General Manager
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Dr Funston

Consultation on draft AER guidance on applying the interim value of emissions reduction

Transgrid welcomes the opportunity to respond to the Australian Energy Regulator's (**AER**) draft guidance on applying the interim value of emissions reduction (**VER**) (**draft guidance**) published on 28 March 2024. The draft guidance follows Energy Ministers agreeing, on 28 February 2024, to a methodology to derive the interim value of greenhouse gas emissions reduction (**interim VER methodology**) to be used in considering or applying the national energy objectives.

Transgrid operates and manages the high voltage electricity transmission network in NSW and the ACT, connecting generators, distributors and major end users. Our transmission network is at the heart of the National Electricity Market and is vital to achieving net-zero emissions targets, by connecting geographically and technologically diverse low-cost renewable generation.

We support the emissions reduction objective in the national energy objectives, which is consistent with the unanimous commitment from Australian governments to achieve net zero emissions, by 2050 or earlier. We consider this change facilitates more effective coordination across the energy industry to support achievement of government net zero targets and secure social licence through the transition.

We welcome the opportunity through this consultation to comment on specific issues before the AER issues final guidance which will bind the AER and regulatory investment tests for transmission (RIT-T) proponents. We provide two key areas of feedback below.

Publishing the interim VER values in the AER's final guidance

The AER's draft guidance includes a table of interim values of emissions reductions that it has derived from the interim VER methodology prescribed by Energy Ministers. The AER has asked for stakeholder feedback on whether they should include this table of the interim values in the final guidance. They have also noted that the interim VER itself is not the subject of this consultation.

We support the interim VER values, derived from the interim VER methodology, being included within the AER's final guidance. Having these values published by the AER, for use within the RIT-T and other regulatory processes, enables them to be applied in a transparent manner.

Alignment with AEMO's ISP and scope and methodology of applying the interim VER

The Australian Energy Market Commission's (AEMC) *Harmonising the rules with the updated objectives* Final Determination introduced 'changes to Australia's greenhouse gas emissions' as a class of market benefit for the Integrated System Plan (ISP) and RIT-T processes. Transgrid is now required to consider this new class of market benefit in our RIT-T processes.

AER notes in its draft guidance that given AEMO is required to apply the interim VER to the Final 2024 ISP, this allows RIT proponents to comply with existing guidance related to using the ISP assumptions and modelling approach while incorporating the value of emissions reduction. However, there is a lack of detail on the scope and methodology to how AEMO will apply the interim VER to the Final 2024 ISP.

To apply the interim VER to our RIT-T's consistent with AEMO's approach to the ISP requires further detail being provided by either AEMO via a separate publication or the AER in its final guidance. Public guidance and explanation of how to apply the interim VER to RIT-Ts will provide transparency for all stakeholders.

We encourage the AER's final guidance to cover additional detail on the scope and granularity of emissions to be calculated across the Australian economy within a RIT-T and the methodology of applying the interim VER.

Closing

We look forward to engaging with the AER on its process to update the Cost Benefit Analysis and RIT application guidelines, as well as the Expenditure Forecast Assessment Guidelines, throughout 2024.

If you have any questions on this letter, please feel free to contact me or Sam Martin at Sam.Martin@Transgrid.com.au.

Yours faithfully



Maryanne Graham,

Executive General Manager, Corporate & Stakeholder affairs