

Summary of Public forum

2024 Review of Cost Benefit Analysis (CBA) and Regulatory Investment Test (RIT) Guidelines – Concessional Finance, Improving the workability of the feedback loop, and Bringing forward early works.

Meeting details

- Held on 16 May 2024, online, 10am-12pm
- Approximately 50 people attended the session, including a mix from consumer advocacy groups, market bodies, consultancies, government departments and other interested individuals
- The forum was opened by Stephanie Jolly, Executive General Manager (Consumer, Policy and Markets), followed by presentations and Q&A sessions by AER staff.
- Presentation slides are available on the [project page of the AER's website](#).

Purpose

The Australian Energy Regulator (AER) has scheduled consultative forums to discuss proposed changes to a set of guidelines used by proponents of new electricity transmission projects; the 2024 Review of the cost benefit analysis and regulatory investment test guidelines.

This forum was the second of four public forums, and focused on the positions set out in the consultation paper released on 24 April 2024 around sharing concessional finance benefits with consumers, bringing forward early works and improving the workability of the feedback loop.

This document provides an overview of the main points discussed and questions raised during the forum.

Overview

The aim of the forum was to inform stakeholders and facilitate a discussion to assist in the development of written submissions and to directly source questions and feedback on the content and positions of the consultation paper to be used in the drafting of amendments.

Questions were submitted to staff either verbally during the forum or through a moderated chat.

The main points of feedback from this session were:

- Stakeholders wanted to ensure the effectiveness of systems already in place is not infringed by the push for greater efficiency.
- Amendments should ensure concessional finance agreements must pass benefits to consumers.
- Stakeholders favoured non-binding guidance for the timing of feedback loop requests, and support AEMO's continued discretion to undertake a feedback loop at any time.

Summary of questions and answers

Concessional Finance

The presentation on concessional finance focused on the role of the AER under the updated Rules, and what will be expected of a Network Service Provider in their RIT applications. The AER encouraged stakeholder views on what guidance should the AER provide to clarify when Concessional Finance arrangements can be reasonably considered to be 'expected', as well as what worked examples should be covered.

Participants questioned the current process in place for concessional finance, noting surprise that the Rules **did not require a Transmission Network Service Provider (TNSP) to pass on cost savings from agreements** to consumers.

Some stakeholders sought clarification on what the AER meant by **'transparency'** and the level of transparency expected in the process to accept concessional finance agreements.

In addition, some stakeholders questioned whether concessional finance arrangements for specific options could **advantage one option over others** in a RIT process.

Feedback loop

The discussion of the feedback loop was intended to focus on how the rule change should be implemented through the CBA guideline.

Stakeholders showed more support for **non-binding guidance for the timing of feedback loop requests**, and support AEMO's continued discretion to undertake a feedback loop at any time.

Some of the discussion on the workability of the feedback loop was not on the suggested guidelines changes and instead addressed considerations relating to the rule change itself. Stakeholders outlined **their concerns with a feedback loop confirmation on the basis of a draft ISP** which does not benefit from the consultation between draft and final ISPs.

Early works

It was noted that at the time of the forum, the AEMC had not released the draft rule for early works yet which affected the level of detail available to drive discussions. Staff provided clarification on the content we required for submissions and content that would be better directed to the AEMC's rule change consultation process.

Stakeholders questioned a potential **conflict of interest** in the context of AEMO as they:

- specify the optimal timing of Integrated System Plan (ISP) projects, and
- recommend what activities may be conducted as early works.

There were also questions about **differentiating between sunk costs and early works**.

Further, the AER noted some comments that would be relevant to the upcoming AEMC rule change consultation for bringing forward early works:

- Stakeholders emphasised the importance that consumers do not overpay for assets because of the cost of early works.
- Further, stakeholders asked if there was a limit to the amount of early works for a project.