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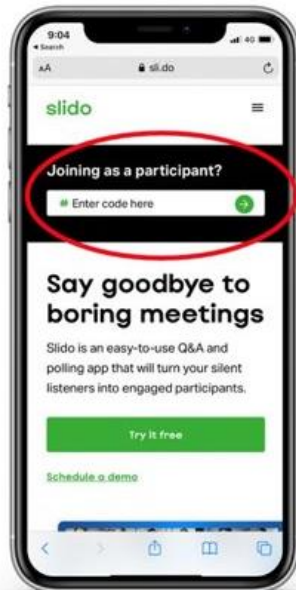
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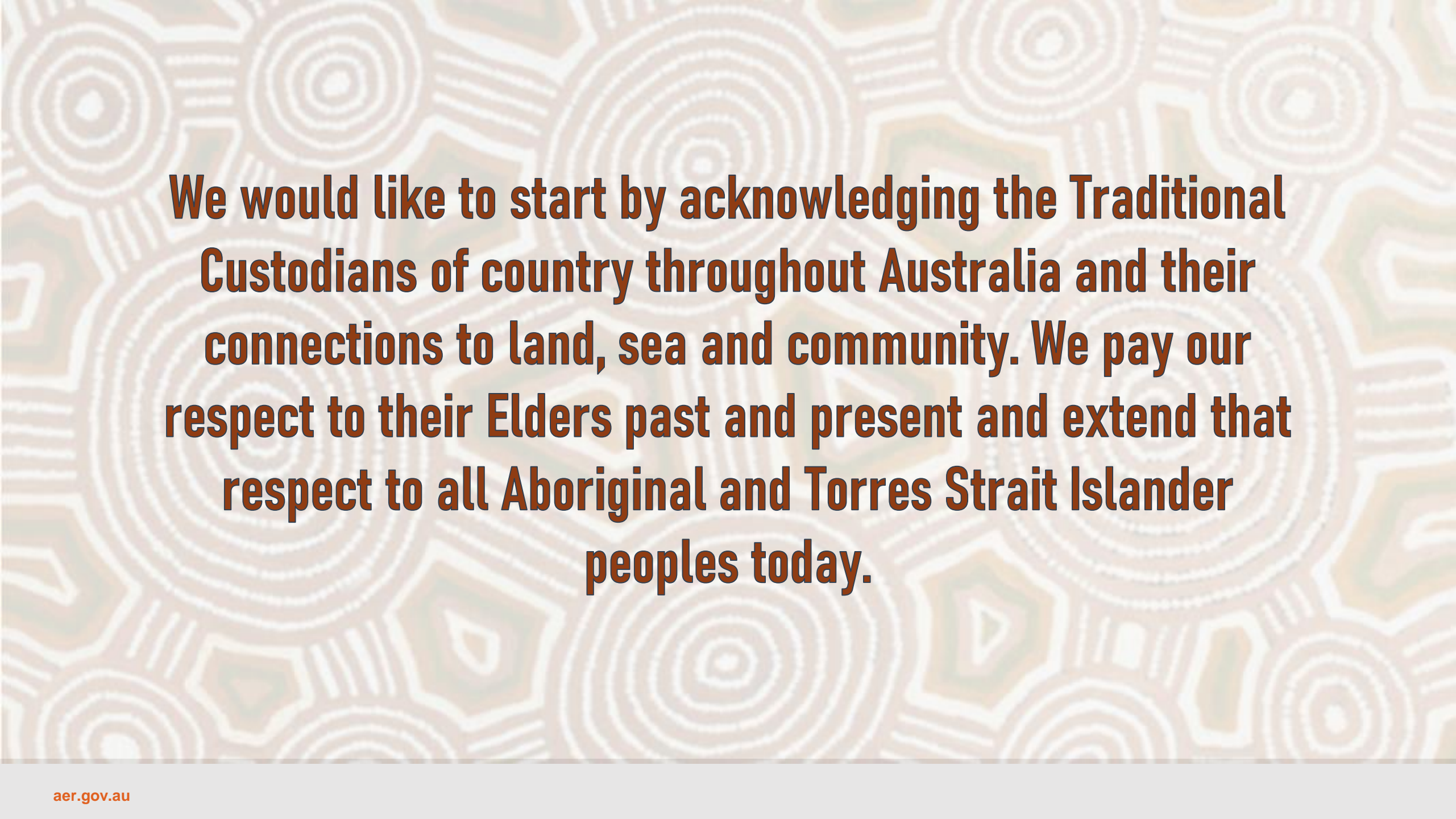


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# Draft Amendments – Incorporating recent changes to the NER

Review of the cost benefit analysis guidelines and  
RIT application guidelines – Virtual public forum



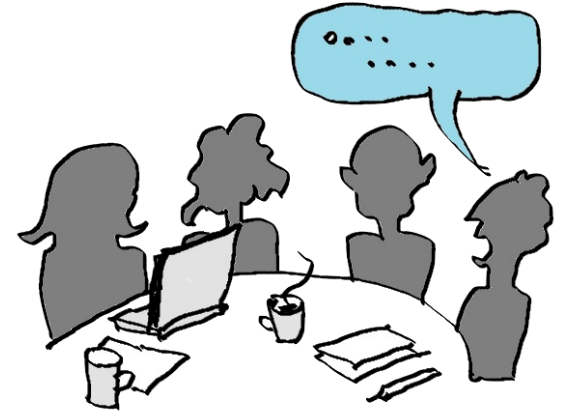
**We would like to start by acknowledging the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.**

# Today's agenda

1.	2:30pm	Sean Mullins	<b>Welcome and introduction to the session</b>
2.	2:40pm	Stephanie Jolly	<b>Background to the guidelines review</b>
3.	2:50pm	Owen McIntyre	<b>Topic 1: Incorporating changes in emissions as a market benefit</b>
4.	3:15pm	Scott Perrin	<b>Topic 2: Concessional finance</b>
5.	3:25pm	Ali Hassan	<b>Topic 3: Workability of the feedback loop</b>
6.	3:35pm	Matt Simpson	<b>Topic 4: Early works</b>
7.	3:50pm	Sean Mullins	<b>Q&amp;A</b>
8.	4:00pm	Sean Mullins	<b>Wrap-up and next steps</b>

# Housekeeping

- This forum covers incorporating several changes in the NER into the RIT/CBA guidelines and RIT instruments.
- Today's forum will run from 2:30pm to 4:00pm.
- Please use this opportunity to share your feedback or to clarify some things to help write your submission.
- We will have a short question time after each topic and at the end of all presentations. Please send questions via Slido or by raising your hand to indicate you'd like to talk.
- If you have questions or concerns that are not addressed today, get in touch with Owen McIntyre, and he will answer your questions directly or arrange a separate 1:1 briefing.



# Introduction

## AER responsible for CBA and RIT guidelines

- Publication
- Maintenance
- Enforcement including dispute determinations

## Guidelines necessary for

- Efficient regulation
- Timely investment
- Clear engagement
- Meeting consumer expectations

## 2024 CBA and RIT Guideline review

- Incorporating recent changes to the National Electricity Rules (NER)
- Social licence

## Purpose

### Objectives of the review

- Amend guidelines and instruments to account for recent changes to the NER and to provide further clarification

### What we are looking for

- Further discussion on the topics highlighted
- Feedback on the proposed amendments or AER positions



Do you have any questions on the review process before we get into the discussion?

# **Topic 1:** Incorporating changes in emissions as a market benefit



## Amendments – Changes in Australia’s greenhouse gas emissions benefit

AEMO and proponents must consider direct emissions (may consider indirect emissions)

- This reflects stakeholder feedback that:
  - More general guidance was needed beyond direct emissions from generation;
  - Supported flexibility to include indirect emissions given the change to the NER allows for inclusion of broader ‘outside NEM’ benefits for this benefit class.

AEMO and RIT proponents must adopt the VER

- We have specified requirements in the CBA guidelines and RIT guidelines for AEMO and RIT proponents to adopt the VER for assessing the changes in emissions market benefit.

Changes in emissions benefit worked examples

- We have included examples to calculate changes in emissions benefit for direct emissions (from generation and network assets)

## Changes in emissions market benefit – scope of emissions

- Scopes of emissions refers to the emissions that AEMO or RIT proponents must consider in their analysis unless the change can be demonstrated to be immaterial
- AEMO and RIT proponents must consider including direct emissions (from NEM assets). Other scopes (e.g. fugitive emissions, embodied emissions) may also be considered where material and relevant.
- When estimating embodied emissions, emissions arising from construction materials should be included regardless of where materials are produced (consistent with Infrastructure Australia and NSW treasury).
- Emissions from other sectors may be included. We have specified that this may only be where it is a “direct result” of the investment.
- **We would value your thoughts on:**
  - Any views on the requirements for direct emissions to be included and flexibility around indirect emissions?
  - Are there any further concerns of double counting risks from accounting for emissions in other sectors?

## Changes in emissions market benefit – examples

- Provided three examples for quantifying direct emissions (both from generation and from network assets) – Section A.8, pg. 94 of the RIT-T guidelines and Section A.7, pg. 83 of the RIT-D guidelines.
- We have not included an example for calculating the market benefit from changes in indirect emissions. These can be calculated in a similar manner as for direct emissions while using an approach to determine the relevant inputs consistent with CBA/RIT guidelines.
- **We would value your thoughts on:**
  - Whether there is enough flexibility?
  - Whether there is sufficient detail in the examples for network businesses?

# Questions

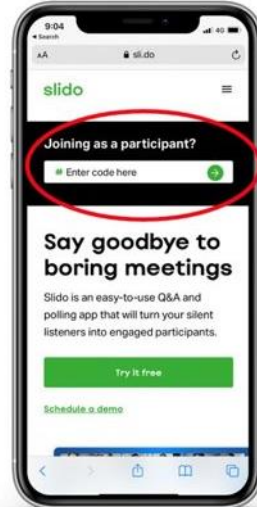
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# Topic 2: Concessional finance

## Draft Amendments - Concessional finance

A concessional finance agreement provides a loan with interest at below market rate where all or a part of this benefit will be shared with consumers.

- The present value of the benefit shared with consumers is accounted for as a reduction in cost of to the proponent.

Concessional finance agreements are treated in the guidelines the same as external funding contributions.

Proponents must provide sufficient detail of an agreement to determine how the concession is to be passed to consumers.

Proponents have the option to include agreements only when they are likely to be executed.

## Concessional finance – discussion

- Do the amendments provide the necessary guidance for proponents to make an informed decision on whether to include a concessional finance agreement in the early stages of a RIT? What would need to be added or removed?
- Does ‘provide sufficient detail’ need to be further explained or is the wording in the NER enough?
- Are there other common aspects of concessional finance agreements that should be covered in the guidelines that are not currently explored? (e.g. agreements with conditional funding)
- Does the worked example provide meaningful guidance? (Example 20, pg. 77 of the CBA guidelines, Example 22, pg. 60 of the RIT-T and Example 19, pg. 55 of the RIT-D guidelines)
- Are there other aspects of concessional finance that should be explored?
  - Example: Accounting for concessional finance rates (CBA guidelines and RIT guidelines)

# Questions

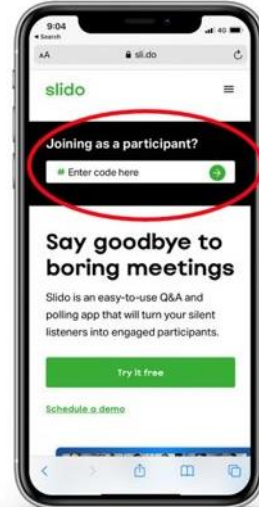
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# **Topic 3: Workability of the feedback loop**

## Draft amendments for improving the workability of the feedback loop

The amendments largely give effect to the AEMC's rule change and provide guidance around timing.

A TNSP should not submit a request between the final IASR and draft ISP; unless

AEMO, at its discretion, chooses to undertake a test during this time.

Give effect to the 40-business day timeframe for AEMO to complete the feedback loop test.

With the ability to extend by 60 further business days if the test is sufficiently complex.

Allow the contingent project application process and feedback loop process to occur concurrently.

Limits potential delays in the regulatory process

Enable the feedback loop test to occur against the most recent optimal development path in a draft or final ISP.

This ensures the test is done against the most up to date inputs and scenarios.

## Feedback loop – discussion

- Do you have any further views/comments on proposed amendments?
- How would you alter the amendments regarding feedback loop in the CBA guidelines to best provide sufficient flexibility for AEMO/RIT proponents, if at all?
- Is there value in providing a general worked example given applications are often context and content driven?

# Questions

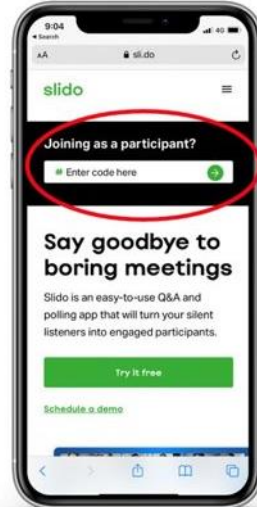
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# Topic 4: Early works

## Early works contingent project application before completion of a RIT-T

Consistent with the draft rule (May 2024), our CBA guidelines reflect the following amendments:

Clarifying the treatment of sunk costs from early works in a subsequent RIT-T.

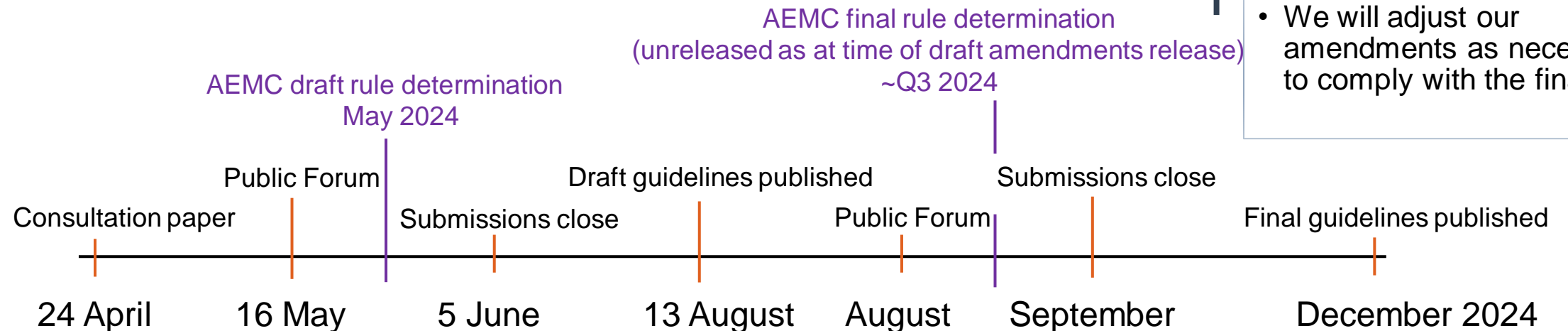
Updating the transparent reporting requirements for cost estimates in a RIT-T given early works are not forecast and may have been incurred.

Amendments to reflect the new definition of early works

Updating worked examples as required.

### Accounting for early works costs

- Final rule under consideration by the AEMC
- Our positions are based on draft rule
- We will adjust our amendments as necessary to comply with the final rule



## Early works– discussion

- Any further views on implementing the AEMC draft rule on early works?
- Any views on examples?
  - Example 12 (page 64, Cost benefit analysis guidelines): Transparently reporting of early works costs for actionable ISP projects within total cost forecasts
  - Example 21 (page 80 , Cost benefit analysis guidelines): Progression of an early works contingent project for an actionable ISP project

# Questions

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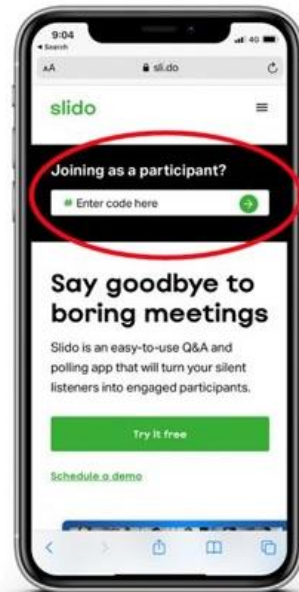
Next topic: General Q&A.



# Q&A

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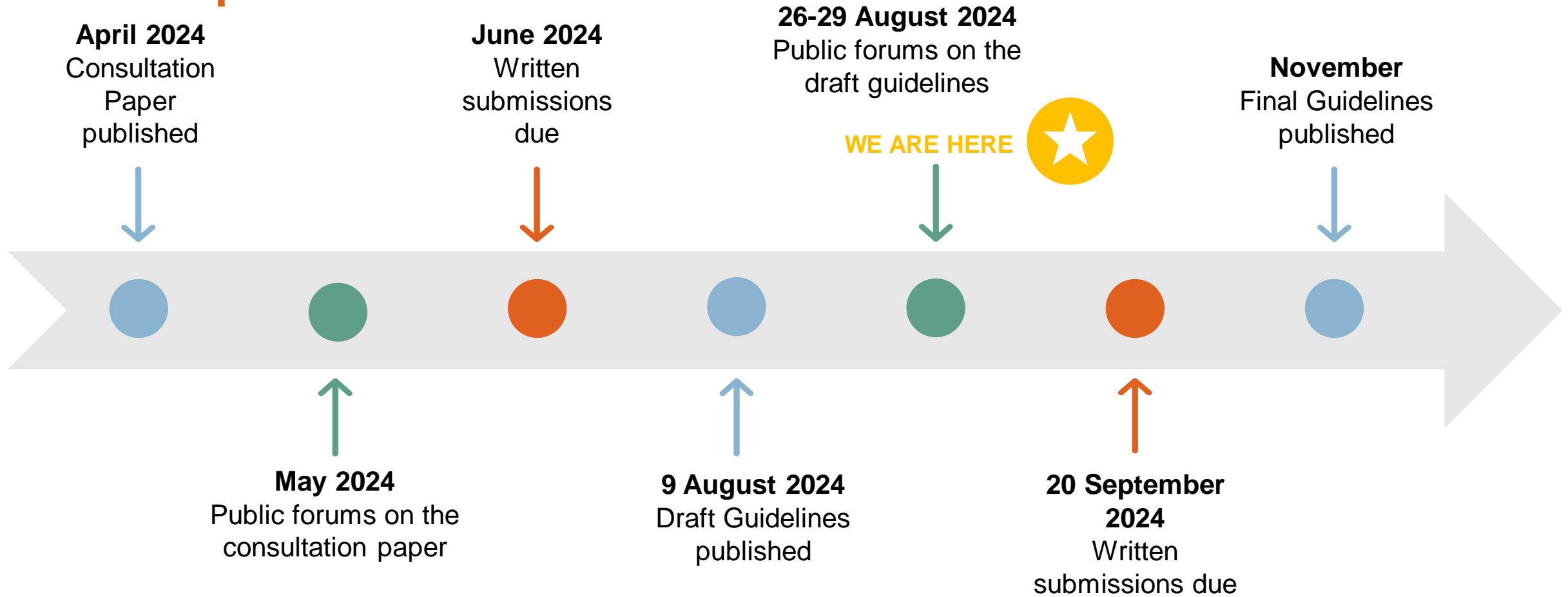


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# Reflections on your feedback

## Next Steps



**Note:** Expert Social Licence forum Wednesday, 28 August – 3pm to 4pm  
General Social Licence forum Thursday, 29 August – 2pm to 4pm

# Thank you for attending today

Please email your submissions by 20 September:  
[RITguidelines@aer.gov.au](mailto:RITguidelines@aer.gov.au)

Please reach out with any questions:  
[RITguidelines@aer.gov.au](mailto:RITguidelines@aer.gov.au)