19 September 2024

24-28 Campbell St
Sydney NSW 2000
All mail to
GPO Box 4009
Sydney NSW 2001
T +61 2 131 525
ausgrid.com.au

Ms Stephanie Jolly
Executive General Manager
Australian Energy Regulator
Electronic Submission – RITguidelines@aer.gov.au

Dear Stephanie,

Ausgrid response to AER's draft decision on amendments to the cost benefit analysis and RIT application guidelines

Ausgrid welcomes the opportunity to respond to the Australian Energy Regulator's (**AER**) Draft Decision on its *Cost Benefit Analysis (**CBA**) and Regulatory Investment Test (**RIT**) Guideline Review* (**Draft Decision**). This review is an important step in providing a framework in which transmission and distribution networks can take account of emission reductions in their investment decisions.

Ausgrid operates a shared electricity network that powers the homes and businesses of more than 4 million Australians living and working in an area that covers over 22,000 square kilometres from the Sydney CBD to the Upper Hunter. As a member of Energy Networks Australia (**ENA**), Ausgrid supports ENA's submission to the AER's Draft Decision.

Ausgrid welcomes the inclusion of emissions reductions as a market benefit, including the clarity outlined on the scope of emissions in the draft decision.

We strongly support the amendments for emissions reductions as a market benefit for the ISP and RIT-T and RIT-D guidelines, which supports alignment of the RIT guidelines to the National Electricity Rules (**NER**). Ausgrid supports the AER's approach to flexibility in the RIT and CBA guideline amendments, which supports evolving practices and datasets over time.

Ausgrid welcomes the AER's Draft Decision to broaden the approach for estimating the value of emissions reductions, outlined as *direct emissions from generation* and *direct emissions other than from generation*. This addresses Ausgrid's previous concerns and ensures the RIT guidelines recognise the full potential of network investments in promoting emissions reductions, including reductions in Sulphur Hexafluoride (**SF6**) emissions.

Ausgrid supports the approach for indirect emissions, as outlined in the Draft Decision Explanatory Note. This provides a pathway to recognise emission reduction benefits that may arise from network investments, supporting customers to lower their emissions and electrify key economic sectors, including transport and industry.

Ausgrid supports the additional guidance provided on social licence and community engagement.

The AER's Draft Decision recognises social licence is likely to be built over time. Approaches to community engagement and social licence should be tailored to project specific circumstances. Therefore, the principles approach outlined in the AER's Draft Decision provides flexibility to apply the guidelines to individual project circumstances and will encourage early engagement with communities on credible options. This will also support best practice outcomes, where social licence activities, engagement frameworks and stakeholder engagement plans may evolve over time.

Ausgrid supports efforts to improve transparency and efficacy of stakeholder engagement activities. However, many projects do not have material social licence concerns (such as a major equipment replacement within the footprint of an existing substation). Where this leads to additional costs and reporting activities, we recommend the AER considers if the application of these requirements for all RIT projects is likely to be commensurate with the investment being assessed for a specific project.

Social licence activities may be shared between the project proponent and the relevant jurisdictions. It would also be useful if the RIT guidelines recognised that multiple stakeholders may be involved in social licence activities and provide greater clarity on how these costs and benefits would be assessed under these circumstances.

Please contact oli.morganwilliams@ausgrid.com.au if any questions arise from this response or you would like to discuss the response with Ausgrid further. Ausgrid are happy to forward to engage further with the AER on final updates to the RIT and CBA guidelines.

Regards

M. Ragusa

Mark Ragusa
Head of Asset Management and Planning