

20 September 2024  
Ms Stephanie Jolly  
Executive General Manager  
Australian Energy Regulator

Lodged electronically via [RITguidelines@aer.gov.au](mailto:RITguidelines@aer.gov.au)

Dear Ms Jolly,

**Review of the cost benefit analysis guidelines and RIT application guidelines – draft amendments**

Nexa Advisory welcomes the opportunity to provide a submission on the AER’s cost benefit analysis (CBA) guidelines and RIT application guidelines.

Nexa is a ‘for purpose’ advisory firm. Our unwavering focus is accelerating the clean energy transition in a way that provides secure, reliable, and affordable power for consumers of all types. Nexa Advisory is a team of experienced specialists in the energy market, policy and regulation design, stakeholder engagement, and advocacy. We work with public and private clients including renewable energy developers, investors and climate impact philanthropists to help them get Australia’s clean energy transition done.

We appreciate the AER’s acknowledgement of positions raised in response to this Review, namely around the inclusion of Value of Emissions Reduction (VER) and social licence. While the draft amendments attempt to provide simplicity and clarity (including through the addition of several worked examples), it is clear that the regulatory process continues to become more complex.

We remain concerned that the complexity of CBA and RIT Guidelines is contributing to transmission delays. Transmission is the missing link in Australia’s transition to clean energy. We plan the transmission we need, but then we don’t build it, or at least not nearly fast enough. This failure to build transmission quickly enough is an existential threat to Australia’s energy system.

The slow pace of Australia’s clean energy transition means that not only will Australia fail to meet its climate targets, but there is a significant threat to power system reliability and security, and increased costs for consumers both large and small.

As such, we would like to highlight our recent *Supercharging Transmission Buildout* report, which focuses on addressing the regulatory environment and lack of

coordination, providing an analytical basis for why the Regulatory Investment Test for Transmission (RIT-T) is the wrong regulatory tool to achieve these objectives<sup>1</sup>.

Although this is above the scope of the current Review, a more radical approach is needed to ensure our regulatory frameworks create transparency and accountability for not only the network operators, but also state governments and the AER to ensure these projects are delivered on time.

Our recommendations provide further detail around the implementation of those included in our previous reports. The context to these recommendations, including assessment of the key failures of the existing framework, is also provided.

Our recommendations reflect the need for a shift towards performance-based regulation. Innovative economic regulation in other Australian sectors has demonstrated the benefits of incentivising proponents to focus on delivery and consumer value.

We hope this provides additional context for the AER's current Review. We welcome the opportunity to further discuss any aspect of our report or submission - please contact either myself or Jordan Ferrari, Director - Policy and Analysis, [jordanferrari@nexaadvisory.com.au](mailto:jordanferrari@nexaadvisory.com.au).

Yours Sincerely,

Stephanie Bashir  
CEO and Principal  
Nexa Advisory

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<sup>1</sup> Nexa Advisory, [Supercharging Transmission Buildout](#), September 2024