

## RIT-D

### Public Forum—pre-draft RIT-D

#### Summary of Melbourne workshop—16 May 2013

Separate workshops on the pre-draft regulatory investment test–distribution (RIT-D) and pre-draft RIT-D application guidelines (application guidelines) were held in the Australian Energy Regulator’s (AER) Melbourne and Sydney offices. Some participants were able to connect via teleconference.

Mr Chris Pattas, General Manager of the project, chaired the workshops. A full attendee list can be found in Attachment A. This summary outlines the key topics discussed at the workshops, including views expressed, without ascribing comments to any one individual or organisation.

#### **1 Introduction**

The AER’s purpose in holding workshops in Melbourne and Sydney was to consult on the pre-draft RIT-D and the application guidelines.

These workshops did not cover any other Power of Choice related matters, such as demand management incentives or development of more cost reflective or flexible pricing frameworks. These are still subject to further rule changes by the Australian Energy Market Commission (AEMC).

The workshops provided participants an opportunity to provide comment on the pre-draft RIT-D and application guidelines prior to its release on 5 June 2013. AER staff (staff) noted that the application guidelines was still in draft form and had not been approved by the AER Board. To facilitate discussion, participants were distributed with a list of the main issues raised in submissions to the RIT-D Issues Paper.

#### **2 Issues discussed at the workshop**

##### *General comments*

Staff noted that the draft RIT-D will be released in early June. Where applicable, the draft RIT-D is consistent with the regulatory investment test–transmission (RIT-T).

##### *a) Market benefits*

Participants noted that the payment to consumers may not be a complete economic cost. This compensation paid should be revisited and estimated.

Consumer representatives noted that where consumers forgo benefits for a limited time, it will not be without a cost. They also noted that wholesale markets could generate benefits. They queried how these benefits would be valued.

NSPs queried the level of materiality involved for benefits generated at the wholesale market. They also noted that distribution businesses are not generators; therefore it will be difficult to quantify benefits at that level.

b) *Wealth transfers*

Wealth transfers were discussed by the participants.

c) *Option value*

All participants requested more guidance on deferred projects and on the issue of uncertainty in project time frames. In relation to uncertainty, participants noted that the application guidelines did not cover demand forecasts and the time required to build a network option.

d) *Discount rates*

Staff noted that this issue was not covered in the application guidelines. We noted that in including the discussion, it will be consistent with the RIT-T.

e) *Interested parties*

Participants noted that dispute resolution and stakeholder engagement with interested parties should be included in the RIT-D. Consumer representatives queried whether *consumers* were included in the definition of interested parties.

f) *Lead parties in joint planning*

Staff noted that in relation to this issue, the pre-draft RIT-D follows the same approach as the AEMC's final determination. Consumer representatives noted that this issue could present problems if not dealt with properly. Distribution businesses noted that this was not an issue for their businesses as the initiator of a project is usually the lead party.

g) *Additional costs*

NSPs queried how to account for costs that had different lives and sunk costs.

h) *Deemed values*

Staff noted that it has not specified values in the application guidelines. Consumer representatives noted the difference between value of customer reliability (VCR) and value of loss load (VoLL) needs to be clearer and therefore more guidance should be provided for these concepts.

Staff noted when undertaking a RIT-D assessment, RIT-D proponents should use a suitable VCR. We do not want to lock NSPs into using a value that may change in the future.

i) *Simplicity of the RIT-D*

Staff noted that the simplicity of RIT-D is in accordance with the NER. Participants requested that the RIT-D specify a reasonable number of scenarios.

j) *Lead times*

NSPs requested that *unforeseen* be defined in the application guidelines.

k) *Costs under uncertainty*

NSPs suggested that it may be more preferable to use a sensitivity analysis instead of probability weights.

*l) Stakeholder consultation*

Participants noted that the language used for this issue is deterministic.

*m) Other issues*

Participants queried how electricity losses should be quantified. Staff referred participants to the examples in the application guidelines.

### **3 *Concluding comments***

Mr Pattas thanked all attendees for their participation. He invited participants to provide any examples they considered useful for the development of the draft application guidelines.

## Attachment A: Attendee list

<b><i>Name</i></b>	<b><i>Organisation</i></b>
Neil Gascoigne	CitiPower and Powercor
Robert Gannon	Powercor Aust Ltd & Citipower Pty
Elizabeth Carlile	CitiPower and Powercor
Paul Troughton	EnerNOC Pty Ltd
Rodney Bray	United Energy and Multinet Gas
Nadia Yousif	United Energy and Multinet Gas
Mark Henley	UnitingCare Australia
Emi Gui	EnerNOC Pty Ltd
John Fazio	Futura Consulting
Bonnie Fulford	Futura Consulting
Gabriel Wan	Jemena
Grant Cox	SA Powernetworks
Ahn Mai	SP AusNet
Mahinda Wickramasuriya	SP AusNet
Bev Hughson	Darach Energy Consulting Services
Catherine Cussen	Department of Energy and Water Supply
Rajat Sood	Frontier Economics
Chris Pattas	AER
John Skinner	AER
Anthony Seipolt	AER
Shalini Prasad	AER

## Telephone hook in

<b><i>Name</i></b>	<b><i>Organisation</i></b>
Bruno Coelho	AER