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Our Ref: 14535121
Contact Officer: Kami Kaur
Contact Phone: [REDACTED]

3 November 2022

James Hay
Chief Executive
NSW EnergyCo
Sydney, NSW

Dear Mr Hay,

Re: Draft Network Infrastructure Strategy for NSW

The AER welcomes the opportunity to comment on the Draft Network Infrastructure Strategy for NSW. We understand the Network Infrastructure Strategy (NIS) is a new publication that will accompany publication of the Consumer Trustee's Infrastructure Investment Objectives (IIO) Report, and both documents will advise AEMO's Integrated System Plan.

Our understanding of the NIS is that it would capture an analysis of network options at a conceptual level and these options would then be evaluated in detail by EnergyCo at the 'develop' stage¹ and incorporated into EnergyCo's later recommendations to the Consumer Trustee.

We consider it important that the selection of network options is subject to rigorous economic cost benefit analysis to maximise the net benefits to consumers from network investments. The national settings are one example of the application of such rigour, and checks/balances, through the Integrated System Plan, the Regulatory Investment Test – Transmission and feedback loop stages.

In finalising the NIS, we suggest explicitly setting out where rigorous economic cost benefit analysis of network options occurs. It is important that the cost benefit analysis is formally captured in a publicly available document and that stakeholders are given the opportunity to provide feedback. This analysis should also clearly show how the guiding principles (table 2 in section 3 of the NIS) have been applied in selecting the network options, including how trade-offs between competing objectives have been decided.

Stakeholder input is key to promoting robust planning outcomes. Also, clear consultation opportunities can promote timeliness by avoiding stakeholder confusion about the

¹ <https://www.energyco.nsw.gov.au/sites/default/files/2022-09/draft-network-infrastructure-strategy.pdf>, Figure 5, p21.

appropriate stage for raising matters and reducing the risk that significant concerns are identified later in the process.

As you would understand, a lack of transparency risks damaging confidence in the outcome of investment decisions and affecting the timeliness of project delivery (e.g., if it contributes to disputes or opposition being raised). It also increases the risk that complementary generation and storage investments that are necessary to realise the benefits of the intended transmission project do not eventuate if investors are unable to coordinate their decisions with the developing transmission project.

We note the strategy says that non-network solutions will not be considered in its inaugural iteration. We consider it reasonable that the initial focus is on the task of ensuring adequate network infrastructure to allow the orderly replacement of retiring fossil fuel-based generation. Knowing this, we encourage consideration of non-network solutions as early as possible.

We acknowledge that the three objectives of the strategy include meaningful engagement with host communities. We support this intent.

We look forward to continuing to work with EnergyCo. To discuss any matter raised in this submission, please contact Kami Kaur [REDACTED].

Yours sincerely



Justin Oliver
AER Board Member

Sent by email on: 03.11.2022