



EnergyAustralia

LIGHT THE WAY

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Gavin Fox
(A/g) General Manager Market Performance
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Lodged electronically: AERpolicy@aer.gov.au

Dear Mr Fox

EnergyAustralia Pty Ltd
ABN 99 086 014 968

Level 19
Two Melbourne Quarter
697 Collins Street
Docklands Victoria 3008

Phone +61 3 9060 0000
Facsimile +61 3 9060 0006

enq@energyaustralia.com.au
energyaustralia.com.au

Review of the cost benefit analysis guidelines and RIT application guidelines — Consultation paper — 18 May 2023

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts across eastern Australia. We also own, operate and contract a diversified energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 5,000MW of generation capacity.

We appreciate the opportunity to provide feedback on AER guideline changes stemming from the AEMC's final rule on the Material Change in Network Infrastructure Costs and its Transmission Planning and Investment Review. As per our submissions to the AEMC's Review, we believe that having robust assessment processes for large transmission projects will help gain stakeholder confidence, reduce prolonged disputes over net benefit calculations and improve social licence. Holding project proponents to a high standard of proof would ultimately aid the timely delivery of their projects, and should not be seen as adding unnecessary administrative burden or contributing to delays.

Our brief observations on the AER's consultation paper are:

- we support a non-prescriptive approach around the designation of reopener triggers, noting that there could be some binding principles or minimum requirements as identified by the AER regarding thresholds for decision making e.g. projects are no longer NPV positive or there are changes in their rank order. For the avoidance of doubt, and noting much of the AER's issues paper discusses costs, proponents should be required to consider triggers that materially affect the calculation of gross benefits and not just the cost build-up of candidate projects.
- we also do not consider a need to prescribe cost estimation classifications systems, although see benefit in promoting consistency in approaches between project proponents and with AEMO in its ISP in the case of large transmission projects.
- a desire for consistency across projects and ISP processes also applies to transparency on cost estimation methods, cost classifications, contingency allowances and other like elements. We expect the ability to draw on standardised datasets and approaches would reduce administrative burden for proponents while also improving their estimate accuracy. This might also assist the AER in its oversight and approval functions, enabling decisions to be made more quickly.

- we strongly agree that the guidelines should have a binding requirement on proponents of large projects (i.e. that must specify reopener triggers) to conduct sensitivity analyses, as these will be necessary to identify boundary values or other reopener thresholds.

If you would like to discuss this submission, please contact me on 03 9060 0612 or Lawrence.irlam@energyaustralia.com.au.

Regards

Lawrence Irlam
Regulatory Affairs Lead