

29 June 2020



Mark Feather
General Manager, Policy & Performance
Australian Energy Regulator

Submitted via email: ISPguidelines@aer.gov.au

Dear Mr Feather,

**AER: GUIDELINES TO MAKE THE INTEGRATED SYSTEM PLAN (ISP) ACTIONABLE –
CONSULTATION ON DRAFT GUIDELINES**

Origin Energy Limited (Origin) welcomes the opportunity to provide comments to the AER on the draft guidelines to make the ISP actionable.

Origin continues to be concerned with the level of discretion provided to AEMO in terms of the cost-benefit analysis (CBA), particularly its ability to take risk-averse approaches. Such approaches can be conservative and can lead to over-investment. Strong transparency measures are therefore crucial in managing this risk.

As a result, we support the draft guidelines requiring AEMO to explain how the risks it has considered has informed its choice of methodology and to be transparent about the costs of deviating from a risk-neutral approach when conducting its CBA in the draft ISP.

We consider that transparency could be improved by:

- Requiring AEMO to consult on its methodology for each iteration of the ISP.
- Requiring TNSPs to include a risk-neutral approach as a sensitivity, if directed by AEMO to use a risk-averse methodology.

Requiring AEMO to consult on its methodology for every ISP

We understand that the rules require AEMO to consult on its methodology (if not using an existing ISP methodology) at the inputs and assumption stage of the ISP, consistent with the CBA guidelines. This implies that AEMO may not be required to consult each time it deviates from a risk-neutral approach (e.g. if it has used risk-averse modelling in a previous ISP).

In our view, AEMO should consult on its CBA methodology, including its choice of a risk-averse approach, at the inputs and assumptions stage of each iteration of the ISP. This is important given that risks can change over time and stakeholders should be given an opportunity to comment. The draft guidelines should therefore require AEMO to consult on its methodology for every ISP.

Requiring TNSPs to include a risk-neutral approach as a sensitivity

We support maintaining consistency between the ISP and the RIT-T, including the approach the AER has taken to do so. However, if AEMO directs a TNSP to use a particular scenario or take a risk-averse approach, the guidelines should require TNSPs to include a sensitivity for a risk-neutral approach. This would allow stakeholders to understand the implications of using a more conservative methodology for individual transmission projects.

Should you have any questions or wish to discuss this submission further, please contact Sarah-Jane Derby at Sarah-Jane.Derby@originenergy.com.au or by phone, on (02) 8345 5101.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Steve Reid".

Steve Reid
Group Manager, Regulatory Policy