

15 November 2021



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Dear Mr Hay

### **Submission to Electricity Infrastructure Roadmap Consultation – Part 5 Paper**

Thank you for the opportunity to comment on the Department of Planning, Industry and Environment's (DPIE) Policy Paper on Network Infrastructure Projects (Part 5 of the *Electricity Infrastructure Investment Act* (2020)) (**Paper**) under the Electricity Infrastructure Roadmap (**the Roadmap**). Please find our response below.

#### **Contestability should be the preferred approach to greenfield infrastructure development**

We support an approach that delivers the Roadmap at lowest lifetime cost to energy consumers. Contestability should deliver lowest cost for greenfield infrastructure development. For brownfield development, or for complex projects that interconnect with existing network infrastructure, the incumbent network may be the most efficient network owner and operator. Any assessment to select the network operator should also consider synergies with the operation of in-situ electricity infrastructure assets and consider the existing distribution network service provider (DNSP) infrastructure and planning process.

We would also like to understand how DNSPs will be involved in the Infrastructure Planner's preliminary activities and informing recommendations on specific Renewable Energy Zone (REZ) locations and network projects.

#### **Network operators should be suitably qualified, and the selection pool should draw on existing resources, frameworks and obligations**

It is vital from a safety and critical infrastructure compliance perspective that owners and operators are appropriately qualified, financially resourced, and structured to build, own and operate network assets. These entities have, and are likely to sustain, the social licence to operate these assets over the long-term and will be able to meet critical infrastructure requirements. A market-based contestable approach can deliver the lowest whole-of-life cost to NSW energy consumers but only if an appropriate framework is in place.

#### **The Build-Own-Operate-Maintain (BOOM) model for network infrastructure maximises long-term benefits to energy consumers and timely project delivery**

Due to the significant scale of infrastructure to be delivered under the Roadmap, and risk that 'build-only' tender winners may be driven by short-term outcomes, we recommend that any entity contracted to build and own network infrastructure should also be placed to operate and

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maintain it (the BOOM delivery model). This will enable Roadmap agencies to deliver the sustainable solutions that:

- reflect high-quality infrastructure design and construction, factoring in the whole-of-life costs;
- protect the long-term social licence with local communities for network infrastructure projects by having a single entity associated with the 'BOOM' of the project;
- maintain existing social licenses held by network businesses in NSW;
- support ongoing compliance with critical infrastructure obligations; and
- deliver the long-term interest of energy consumers.

**The Infrastructure Planner and/or Consumer Trustee should be required to undertake best-practice community consultation and site planning**

We recommend that DPIE mitigate development risks prior to any competitive process, to avoid bidders adding risk premiums or needing to re-open contracts to accommodate additional costs. For example, if the Infrastructure Planner or Consumer Trustee fail to obtain sufficient social license before handing over the project to the network operator, then the network operator will be left with the cost of re-doing community consultation. DPIE should consider a KPI framework for the Infrastructure Planner and Consumer Trustee to ensure a robust timeframe and delivery standard is met during the planning and development approval stage. This will improve certainty for stakeholders and network operators and reduce the risk of cost duplication for consumers.

**Further consultation required to develop the regulatory framework**

We have a number of questions about in relation to the regulatory process which we would like to discuss with DPIE. Our preliminary view is to streamline the process to align with the national framework (Parts 6/6A of the *National Electricity Rules*) while ensuring a commercial rate of return and financeability testing where appropriate. We would like to understand how the guidelines would or would not apply to contestable projects. Additionally, further consultation is required to understand why the Consumer Trustee might need to re-open a determination. Changes to the cycle should be considered where the network operator is seeking to align with an existing regulatory reset cycle.

**Further consultation necessary on setting the maximum amount for project costs**

We would like to understand how the Consumer Trustee will transparently set a maximum amount for the prudent, efficient and reasonable capital costs for a project. What happens if the Regulator determines a different cost? How does that relate to the cost proposed by the successful tenderer in a contestable process?

**Include additional guiding principles that include aligning with the national framework and establishing clear timeframes for decision making**

We recommend that DPIE add a guiding principle that addresses aligning Part 5 with the national framework including regulatory resets wherever possible. Another guiding principle should be included to ensure that there are timeframes for decision making. Without timeframes there is a risk that the timely rate of decisions on key projects could impact market certainty and impact other workstreams.

### **A consultation framework is needed when using Ministerial declarations**

We note that Ministerial or legislative directions may apply to network operators to carry out projects. Any directions for network operators to carry out the work should be done in consultation with energy consumers. These directions could have benefits to offer clarity to the market on certain projects, for example, where a contestable approach is not appropriate due to it being a brownfields site. However, careful consultation is required to understand the breadth of these powers, enable consumers to be consulted and put in place appropriate checks and balances. We would also appreciate further consultation on the framework for identifying and determining priority transmission infrastructure projects (**PTIPs**).

### **Clarity requested to ensure the Transmission Efficiency Test (TET) is more efficient and timelier than the Regulatory Investment Test for Transmission (RIT-T)**

The Paper and Forum for Part 5 advised that the TET is designed to replace and be more efficient than the RIT-T. However, we are unclear about how it will result in greater efficiencies and timeliness and would appreciate further clarity on the TET. We recommend that DPIE provide a worked example to discuss how the projects will be developed, so that stakeholders can better understand how this process will work.

### **Next steps**

We note that our feedback includes some questions that we would like to work through with DPIE. In some cases, represents our preliminary view until we have further clarity on certain issues. As such, we are grateful for DPIE's time later this month to meet with Ausgrid, Endeavour Energy, Essential Energy, and Energy Networks Australia (**ENA**) to discuss this Paper and the questions that we have had in preparing our submission. We would appreciate the opportunity to provide a supplementary submission to the Department (if required) following the publication of other stakeholder submissions and following that meeting in late November.

Ausgrid would welcome being able to provide feedback on the drafting instructions prepared, as well as being consulted with on the drafting regulations. This would be helpful to understand where DPIE's policy position has firmed its view across the range of papers consulted on over the past year.

We would also like to engage with DPIE in early discussions on the optimal location for, and timing of, the Hunter REZ. This is in light of the Government's recently released Hydrogen Strategy and that Ausgrid is currently preparing its Network Strategy for its 2024-29 regulatory reset – the draft of which we will be sharing with the Australian Energy Regulator (**AER**) in August 2022.

Please contact Naomi Wynn, Manager, Regulatory Policy, to discuss this submission further at [REDACTED].

Regards,



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