

IPART Submission to the NSW Transmission Planning Review Interim Report

25 July 2025

Thank you for the opportunity to provide a submission to the NSW Transmission Planning Review Interim Report.

IPART agrees that effective, timely and coordinated planning of new transmission projects is critical to achieving NSW's objectives for a clean, affordable and reliable power system, net zero targets and promoting the current and future interests of electricity customers.

IPART also agrees that greater clarity of the respective roles and responsibilities of the various parties involved in transmission planning in NSW is needed and supports in-principle the implementation of the proposed series of targeted reforms to clarify roles and responsibilities.

IPART's Role – Electricity Transmission and Distribution Network Operators' Licences

IPART is responsible for administering the licensing regimes for electricity transmission and distribution network operators in NSW. It is also responsible for regulating the safety of NSW electricity networks and assets.

Electricity transmission and distribution licences are issued by the NSW Minister for Energy. IPART administers these licences on the Minister's behalf, including monitoring compliance and enforcing licence conditions. These licences authorise the holder to operate a transmission or distribution system and impose a range of obligations to ensure safe, reliable, and transparent operation.

Licence conditions cover matters including (but not limited to):

- Critical infrastructure
- Safety, asset and environmental management systems
- Reliability and performance standards
- Reporting and auditing requirements
- Payment of licence fees

Licensees must report to IPART on all non-compliances against licence conditions annually in accordance with reporting manuals published by IPART.

IPART's Role – Licences to Support the Roll-Out of Renewable Energy Zones

As noted in the Interim Report, IPART also has a role in making recommendations to the Minister on the granting of new operator licences and the imposition of licence conditions to support the rollout of Renewable Energy Zones (REZs).

For example, we assessed the ACERREZ Partnership's application for a transmission operator's licence for the Central-West Orana REZ and recommended the Minister grant the licence with appropriate conditions. The Minister for Energy granted the licence in September 2024. As part of this process, IPART conducted public consultation on both the licence application and the proposed licence conditions.

IPART's Role – Enforcement of the Safety Regulation

IPART also holds network operators accountable for compliance with network operator obligations under the Electricity Supply (Safety and Network Management) Regulation 2014 (Safety Regulation), through our risk-based compliance and enforcement framework.

The Safety Regulation requires network operators to, among other things, have an electricity network safety management system. The primary objective of a safety management system is to assist a network operator to comply with its obligation to take all reasonable steps to ensure the design, construction, commissioning, operation and decommissioning of its network is safe.

In particular, a safety management system supports the management of safety risks arising from protection of the environment (including preventing bush fires that may be ignited by network assets), as well as the safety of the public, people working on the network, protection of property and safety risks arising from the loss of electrical supply.

Network operator compliance is assessed based on the required self-reporting from network operators, annual self-assessed compliance reports signed by the Chair of the Board of Directors and the CEO, notification of particular events, and a program of audits and enquiries conducted by IPART.

IPART reports to the Minister for Energy by 31 October each year on energy network operators' compliance with their obligations.

Potential changes to Transmission and Distribution Licences and Reporting Requirements

IPART notes that the proposed introduction of new obligations, including processes and timeframes for connecting new contestable networks to the existing transmission network (i.e. network-to-network connections), may necessitate amendments to existing transmission and/or distribution licences (recommendation A.2) and reporting manuals. Reforms to jurisdictional

planning roles (recommendation A.9) is unlikely to require amendments to NSW network operator licences. If amendments are required, these would likely be incidental.

IPART suggests any proposed licensing changes be designed with the following principles in mind:

- Protecting customers, consumers, workers and the environment and driving beneficial outcomes
- Designing proportionate and risk-based controls
- Finding a balance between reliability of the transmission network and minimising costs to customers
- Allowing for effective monitoring and enforcement
- Promoting safe, efficient, environmentally responsible and reliable electricity networks

IPART's usual approach is to consult with network operators about proposed changes to licences and reporting manuals to ensure changes are effective, certain and enforceable, and to understand the implications for regulated entities.

IPART's Role – Roadmap Entities

As noted in the report, IPART also reports to the Minister annually on the exercise of functions under the *Electricity Infrastructure Investment Act 2020* (EII Act) by the Roadmap entities and audits the performance of the financial trustee (FT), the scheme financial vehicle (SFV), the consumer trustee (CT) and the infrastructure planner (IP) (EnergyCo).

The audit reports and the annual report together provide transparency on what the Roadmap entities have accomplished, and whether entities have acted efficiently, effectively and economically in exercising their functions. IPART is currently completing the performance audits of the FT and the SFV. The first performance audit of EnergyCo is scheduled to commence by the end of 2025.

Proposed Review of EnergyCo's Governance and Funding Arrangements

IPART notes the recommendation that the NSW Government should consider the appropriate mechanism for recovery of EnergyCo's costs related to its role as Infrastructure Planner and the appropriate method of oversight and transparency of those costs (recommendation C.2).

Both the AER and IPART are appointed as regulators under the EII Act, and the Act provides for further appointments to be made under the regulations. The AER is the regulator responsible for making contribution determinations. Both IPART and the AER have extensive experience in independently reviewing and setting prices to ensure they are prudent, efficient and reasonable.

IPART would be well placed to undertake further consideration of whether EnergyCo's expenditure on a REZ network infrastructure project (RNIP) and priority transmission infrastructure

project (PTIP) was prudent, efficient and reasonable as an independent commissioned review under the *Independent Pricing and Regulatory Tribunal Act 1992* (IPART Act) or as a function of its current role as a regulator under the EII Act, should the NSW Government consider this the most effective option.

Proposed Changes to Planning and Network Configuration Processes

IPART notes the Review Panel's view that planning should extend beyond traditional large-scale transmission projects to include consideration of alternatives such as distribution and non-network solutions. The effective and safe coordination of assets - owned by different businesses and, increasingly, consumers - is becoming more complex.

This increasing complexity, along with proposed changes to planning and network configuration processes, may require consideration of consequential changes to the NSW state-based electricity networks licensing and safety framework.

Further Engagement

IPART welcomes and looks forward to further engagement on the design and implementation of proposed actions that will help deliver more effective transmission planning arrangements for NSW.

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