

4 July 2016

Dr Peter Boxall
Chairman
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Dear Dr Boxall

Electricity transmission reliability standards: an economic assessment – Draft Report (May 2016)

The Energy Networks Association (ENA) welcomes the opportunity to make a brief submission to the Independent Pricing and Regulatory Tribunal (IPART) of NSW on its Electricity transmission reliability standards: An economic assessment – draft report (31 May 2016).

The ENA is the national industry association representing the businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia.

The ENA supports a nationally consistent framework for transmission reliability standards and a robust methodology in measuring the Value of Customer Reliability (VCR). Estimating VCR requires an adequately resourced, expert body, with the commitment of funding to develop and update robust measures. VCR estimation in Australia has a relatively limited history and could benefit from further examination of different methodologies and estimation approaches.

A nationally consistent approach to the estimation of VCR can still provide for the calculation of the value at a sufficiently granular locational level to inform relevant investment decisions in network reliability¹ and promote allocative economic efficiency. However, if state agencies such as IPART separately establish and resource VCR estimation, this is unlikely to be either efficient or to expedite the development of a robust nationally comparable framework for VCR. The ENA notes that the then Standing Council on Energy and Resources (now the COAG Energy Council) determined on 13 December 2013, that responsibility for VCR estimates would be transferred to the Australian Energy Regulator (AER).

If IPART does pursue a NSW-specific VCR study, ENA considers it should be on the basis that such work be complementary, and potentially incorporated into a national approach to estimating VCR. It should not duplicate existing work undertaken by AEMO or the network businesses.

¹ As stated in the ENA's 2013 submission to the Australian Energy Market Commission's (AEMC) National Reliability Frameworks Review (p.21).

The ENA supports effective and timely customer engagement in establishing the estimates of the value of network reliability and security. It is noted by ENA Transmission Network Service Providers that simple \$/MWh values for VCR may not be appropriate where short duration outages have a disproportionate impact on industry operations as distinct from households and other sectors, or when high impact, low probability (HILP) events (e.g. blackouts in Central Business Districts) occur.

We note IPART's position on the extension of the existing Regulatory Investment Test – Transmission to replacement expenditure. The advantages and disadvantages of this proposed rule change proposal are not addressed in a substantive way in the Draft Report and the matter will be the subject of a thorough rule change consultation at a national level². The reference included in this section of the Draft Report appears somewhat misplaced. It cites TransGrid's Powering Sydney's Future project, which is not necessarily representative of the majority of asset replacement programs of transmission businesses. It is also noteworthy that, under the current rules, this project was widely recognised for the innovative, proactive efforts of TransGrid and Ausgrid to develop alternative non-network solutions.

Should you have any additional queries, please feel free to contact Norman Jip, ENA's Senior Program Manager – Transmission on (02) 6272 1521 or njip@ena.asn.au

Yours sincerely



John Bradley
Chief Executive Officer

² The ENA understands that the AER has only recently submitted a rule change proposal to the AEMC in June 2016. This includes planning processes for network replacement expenditure. Refer to page 9 of the AER's [Statement of Intent 2016-17](#).