The regulatory investment framework for transmission in Australia

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- Spans 5,000 km and includes 40,000 km of transmission cables
- Supplies about 200 TWh of energy
- Supports 19 million residents
- Can be costly to upgrade because of distances
Demand growth driving network investment
Regulatory framework for investment

• Regulatory investment test for transmission (RIT-T)
  – Cost-benefit analysis of individual proposals for transmission augmentation

• Incentive based regulatory framework
  – Ex-ante incentive-based regulation (enhanced in 2012)
  – Determines maximum revenue network businesses may recover from consumers over a five year regulatory period.

• Future regulatory reform
  – Optional Firm Access model currently under consideration
Climate of change
Future reforms: Optional Firm Access

• Optional firm access allows generators, if they choose, to pay to manage the financial effects of network congestion.

• Generators would trade off the cost of transmission (in the form of a firm access charge) against the cost of congestion (which they would avoid by being firm).

• Creates locational signals that account for congestion costs against network expansion costs.

• Moves some part of the management of uncertainty relating to future network development from regulated transmission businesses to the competitive generation sector