

5 April 2019

Suzanne Falvi  
Executive General Manager  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235



Dear Ms Falvi,

### **Submission to consultation paper on Application period for contingent project revenue rule change**

PIAC welcomes the opportunity to respond to the AEMC's consultation paper.

The National Energy Market (NEM) is in a transformation from an energy system relying primarily on centralised, dispatchable, fossil-fuel generation with passive demand, to one with a variable, low- or zero-emission generation fleet interacting with more sophisticated and active demand-side behaviour. In order to fully unlock the benefits of this transition, some investment will be required in transmission and distribution networks.

At the same time, the NEM is also facing a crisis of affordability for many residential, commercial and industrial consumers. This creates tension between new investment to unlock the benefits of the future energy system and potentially exacerbating the current affordability issues. This tension underpins and highlights the need for robust planning and regulatory oversight of this network investment and is discussed further in a number of PIAC submissions to related processes.<sup>1</sup>

We also note that contingent projects are becoming more common and of larger magnitude in many network revenue proposals. Hence it is more important that the regulatory framework for dealing with contingent projects remains fit for purpose and ensures outcomes in the long-term interests of consumers.

#### **Support for the rule change proposal**

PIAC supports the rule change proposal to the extent that it:

- Helps the timely delivery of investments by providing revenue recovery certainty to networks for their contingent projects; and
- Does not compromise the ability of the AER to robustly and accurately assess the appropriate revenue adjustment to be made.

#### **Application to the end of the regulatory period**

PIAC is yet to form an opinion as to whether the restriction about contingent projects not being submitted in the 90 business days before the end of a regulatory year should apply for the last year and penultimate year a regulatory control period.

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<sup>1</sup> For example: PIAC, [Submission to Coordination of Generation and Transmission Investment options paper](#), October 2018.

As the AEMC points out, the ability to provide revenue certainty for the network and the AER's ability to assess the revenue adjustment for a contingent project is complicated by the interaction with the network's revenue proposal. This also affects the likelihood of any network business to make use of this option should it be made available.

**Continued engagement**

PIAC would welcome the opportunity to meet with the AEMC and other stakeholders to discuss these issues in more depth.

Yours sincerely,

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