

7 June 2017

Meredith Mayes
Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235



Dear Ms Mayes,

Draft determination on the Replacement expenditure planning arrangements rule change

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit law and policy organisation that works for a fair, just and democratic society, empowering citizens, consumers and communities by taking strategic action on public interest issues. PIAC welcomes the opportunity to respond to the AEMC's Replacement expenditure planning arrangements draft determination.

PIAC supports the rule change proposed by the AER and the AEMC's draft rules to provide additional transparency into the replacement expenditure of network businesses and encourage cost-effective non-network alternatives. PIAC considers that it will lead to lower costs for consumers overall by ensuring more efficient network investment as these benefits outweigh any compliance burden on network businesses.

PIAC understands that the AEMC considers changes to the content of the regulatory investment tests (RIT) to be out of scope as the AER's proposal concerned the range of projects subject to the test. Nevertheless, PIAC maintains its support for reviewing the content and cost thresholds of the RIT, both in the interest of transparency of network capital investment decisions and to encourage opportunities for non-network solution providers to propose more efficient alternatives. PIAC considers that there is merit in introducing a requirement for a less detailed version of a RIT with lower cost thresholds. This would help to balance the need for increased transparency against the time and cost of compliance, not only by the network businesses but also by stakeholders in reviewing and responding to RITs from multiple businesses. Assuming that the AEMC is unable to make such a preferable rule, PIAC is of the view that the AEMC's final decision on this rule change should include a recommendation that the AER or COAG Energy Council submit a rule change proposal for a less detailed version of a RIT with lower cost thresholds.

While this rule change is an important step forward, it must also be noted that there are still significant improvements to be made in the transparency of network planning and investment processes and in properly considering efficient, viable non-network alternatives. This is becoming more important in light of the current transformation of the energy market and as new technologies and cost reductions open up new alternatives to traditional network investment decisions.

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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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