

ESB Fact Sheet: Transmission Network Service Provider Interaction with Proposed ISP Rules Framework

The ISP Rules Framework will streamline current regulatory processes for transmission by recognising work already done by the Integrated System Plan (ISP). The ISP will replace the first stage of the Regulatory Investment Test for Transmission (RIT-T) - the Project Specification Consultation Report (PSCR), avoiding unnecessary duplication that would currently require TNSPs to conduct replicative modelling activities.

The Proposed process for TNSPs under the ISP Rules Framework

Step 1 –Project Identified – Project identified as an actionable ISP project (if a RIT-T is required within 2 years) or as a future ISP project (for projects with a longer lead time). The ISP will identify when the Project Assessment Draft Report (PADR) will be required for Actionable ISP Projects (between 6-24 months from the date of publication of the ISP).

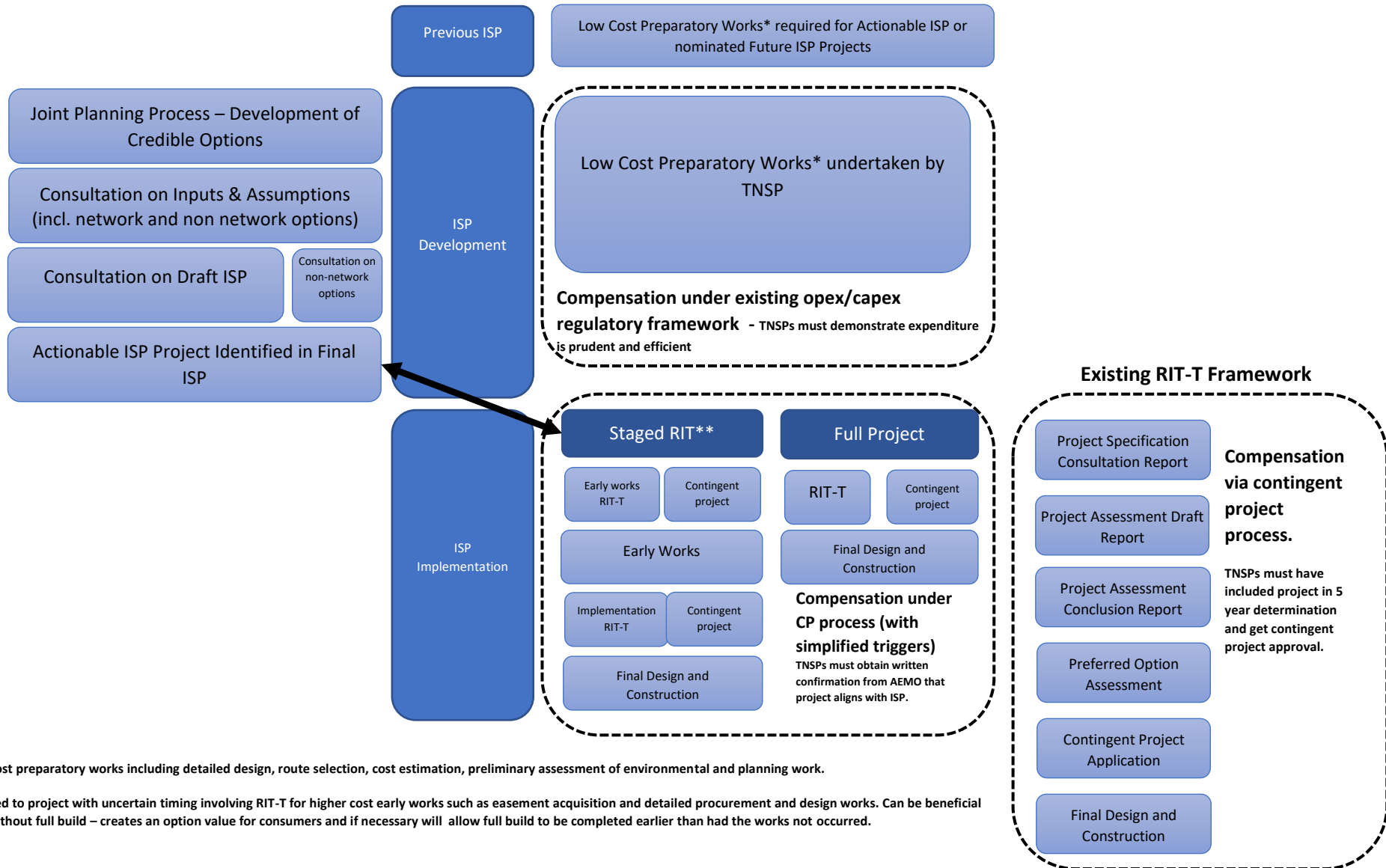
Step 2 - Preparatory activities – TNSPs will have an obligation to undertake low cost preparatory activities (e.g detailed design, route selection, cost estimation, preliminary assessment of environmental and planning work) for all actionable ISP projects, as well as for future ISP projects where specified in the ISP. This will provide ongoing improvements to the ISP through the joint planning process and will speed up the both the RIT-T process and the delivery of critical transmission infrastructure. *TNSPs will be compensated through the existing opex/capex regulatory framework. TNSPs will need to demonstrate expenditure is prudent and efficient in the regulatory proposals they lodge as part of the regulatory determination process.*

Step 3 – RIT-T - TNSPs will undertake a streamlined RIT-T process, allowing them to benefit from the modelling undertaken in developing the ISP and avoiding the need to produce a PSCR. TNSPs will draw on ISP modelling to conduct the final two stages of the existing RIT-T process, the objective of which is to explore project options in greater detail. This may include the staging of a project by preparing a RIT-T for higher cost early works. A staged approach recognises that early works can be beneficial even without a full build, creating an 'option value' for consumers and, depending on how future events unfold, permits full build to be completed earlier than had the works not occurred. A project that is the subject of a single RIT-T may also receive funding on a staged basis. Where required in the ISP, TNSPs will need to consider non-network options in their PADR. The RIT-T process is not expected to take more than 4-6 months after the TNSP publishes the PADR.

Step 4 – Contingent Project Application – Regardless of whether TNSP undertakes a RIT-T for early works or the full project, and except in certain instances under transitional rules, to complete the contingent project application they must obtain written advice from AEMO as to whether the TNSP's preferred option meets the identified need set out in the ISP and that the cost of the project does not change the project's status as part of the optimal development path. The contingent project assessment by the AER is not expected to take more than 3 months after the TNSP lodges the contingent project application.

Step 5 –Contingent Project Approval – When a TNSP has received contingent project approval from the AER, the TNSP's CAPEX and/or OPEX under their current revenue determination will be increased regardless of whether the TNSP's existing revenue determination had previously identified the contingent project.

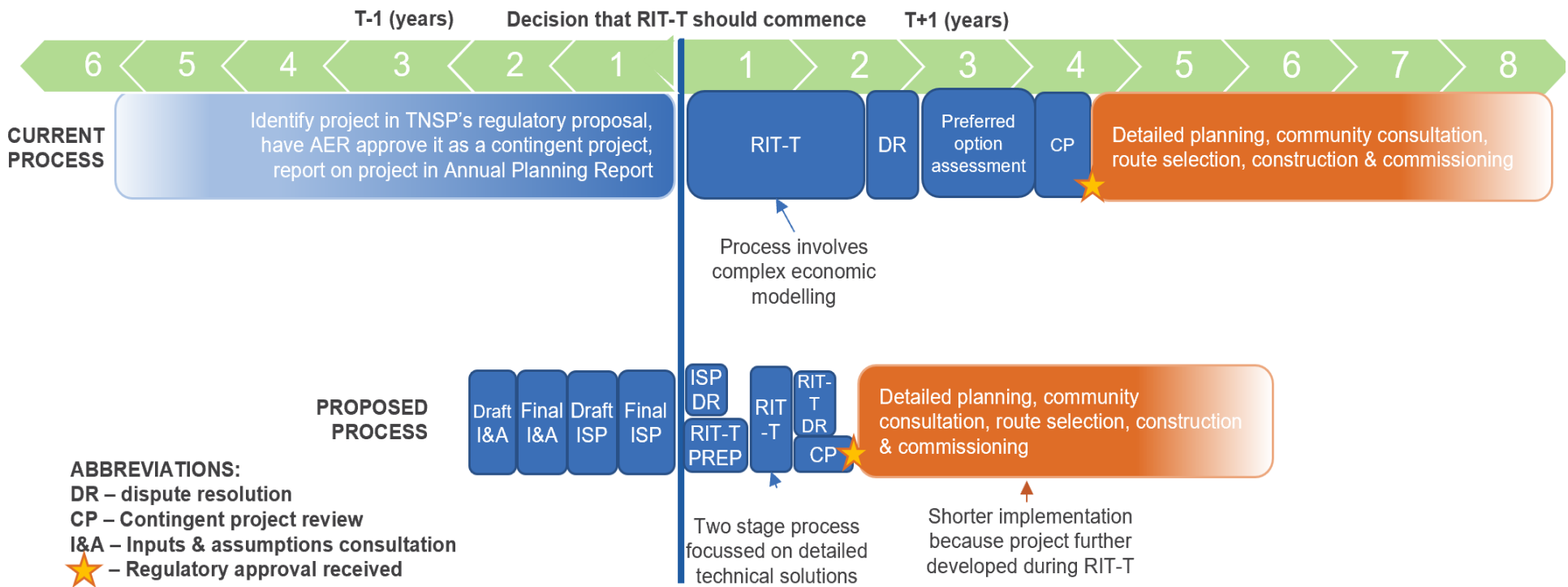
TNSP Interactions with Proposed ISP Rules Framework



*Low cost preparatory works including detailed design, route selection, cost estimation, preliminary assessment of environmental and planning work.

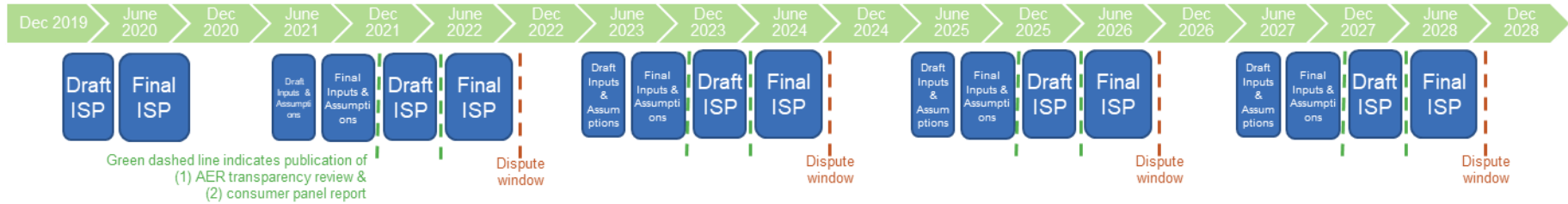
** Suited to project with uncertain timing involving RIT-T for higher cost early works such as easement acquisition and detailed procurement and design works. Can be beneficial even without full build – creates an option value for consumers and if necessary will allow full build to be completed earlier than had the works not occurred.

Improvements to Transmission Development Timeframes from Proposed ISP Rules Framework

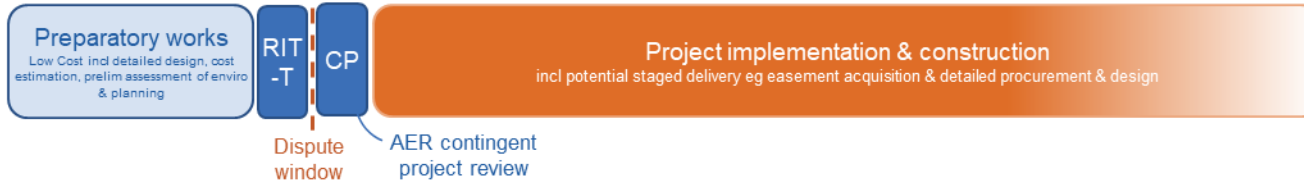


NOTE: Timeline assumes that there is no change to the timeframes as a result of a successful dispute action.

Example of Actionable and Future ISP Projects following Final 2020 ISP under Proposed ISP Rules Framework



ACTIONABLE ISP PROJECT TIMELINE



FUTURE ISP PROJECT TIMELINE**



- NOTES:
- * Timeline assumes that there is no change to the timeframes as a result of a successful dispute action.
 - ** Need and timing of future ISP projects to be confirmed in a subsequent ISP