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Friday, 27 May 2022

Kami Kaur  
Acting General Manager, NSW REZ Branch  
Australian Energy Regulator

By email: [rez@aer.gov.au](mailto:rez@aer.gov.au)

Dear Kami

### **AER draft revenue determination guidelines for NSW contestable projects**

Transgrid welcomes the opportunity to respond to the Australian Energy Regulator's (AER) draft revenue determination guidelines for contestable projects under the NSW Electricity Infrastructure Investment Act 2020 (EII Act). As the jurisdictional planner, operator and manager of the transmission network in NSW and the ACT, Transgrid is keen to assist the AER in ensuring transmission investment under the EII Act is prudent, efficient and reasonable. The views in this submission reflect those of Transgrid in our role as the jurisdictional planner, and operator and manager of the existing transmission network in NSW and the ACT – they do not necessarily reflect the views of any affiliated business of Transgrid.

Transgrid supports the approach the AER has taken in the draft guidelines, which is that the AER assesses whether the competitive procurement process undertaken by the Infrastructure Planner produces an appropriate outcome, rather than for the AER to undertake a detailed review of the components of a revenue proposal. This submission sets out our views on two key aspects of the draft guidelines, which we believe the AER could enhance to enable better outcomes for consumers

### **The Infrastructure Planner's procurement strategy**

As part of its approach to the guidelines, the AER sets out that it would undertake a review of the Infrastructure Planner's procurement strategy before a competitive procurement process is undertaken and identifies a number of criteria it would evaluate the strategy against.

While it is Transgrid's view that the requirements relating to the Infrastructure Planner's procurement strategy in the draft guidelines are appropriate, it is also our view that some additional requirements would further enable the AER to have confidence that the procurement process results in an efficient outcome for consumers.

In particular, our view is that the guidelines could also require the procurement strategy to include:

- A requirement for the successful Network Operator to provide information on efficiencies it has identified in developing its bid and its approach to securing further efficiencies during the construction phase, and sharing these with consumers.

- A requirement for the successful Network Operator to identify how it has efficiently managed risk, so that risks that are best managed by the Network Operator are not passed on to consumers.
- A requirement for the successful Network Operator to identify how it has engaged with stakeholders, in particular consumers, in developing its bid.

These additional requirements are also consistent with the information that a regulated business would be required to provide the AER in a revenue determination process.

### **Transparency of the outcome of the competitive procurement process**

To give stakeholders confidence that the NSW Government's reforms are providing efficient outcomes for consumers, Transgrid's view is that it would be beneficial that the AER makes the outcome of the competitive procurement process publicly available. Public information on the total cost of the project may also sharpen competition in future processes and drive further efficiencies across the sector in the future.

To this end, Transgrid would support the publication of the procurement report prepared by the Infrastructure Planner and submitted to the AER at the end of the procurement process. In particular, the AER should require the Infrastructure Planner to publish information on the evaluation criteria that the Infrastructure Planner adopted to assess different proposals and the weighting given to each of the criteria. Transgrid also seeks greater clarity from the AER about what information it would expect to publish on the Network Operator's Revenue Proposal and in the AER's revenue determination to give consumers confidence in the efficiency of the projects.

If you require any further information or clarification, please feel free to contact either me or Neil Howes, Senior Manager Policy Reform, at [neil.howes@transgrid.com.au](mailto:neil.howes@transgrid.com.au).

Yours faithfully



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