30 October 2024

Ms Stephanie Jolly
Executive General Manager
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601
Electronic submission – AERPolicy@aer.gov.au

Dear Ms Jolly,

AER Draft guidance – The Efficient Management of System Strength Framework

Energy Networks Australia (ENA) welcomes the opportunity to respond to the AER's draft guidance note on the efficient management of system strength framework.

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide over 16 million electricity and gas connections to almost every home and business across Australia. This response is on behalf of ENA electricity transmission members.

ENA appreciates the AER's willingness to provide guidance on some of the practical challenges that are emerging in applying the new framework under the *Efficient management of system strength on the power system rule change* (system strength rule change). As system strength service providers (SSSPs) are progressing the first RIT-Ts in relation to system strength solutions, several implementation issues have arisen. Further, in light of the emerging costs that will be incurred to meet the standard, SSSPs are keen to ensure that they can comply with their obligations while also containing the costs passed through to consumers.

ENA appreciates the efforts of the AER in preparing the draft guidance and its engagement with SSSPs throughout the process. ENA notes that the draft guideline interacts with the AER's concurrent process on the System Security Network Support (SSNS) payment guideline and has considered this interaction in forming the comments in this submission.

Overall ENA considers that both documents will greatly assist SSSPs and other stakeholders in improving outcomes for consumers with respect to a key part of the energy transition – the efficient delivery of system security services. ENA also supports the guidance being non-binding, as it is likely that experience and best practice in this area will continue to evolve.

ENA has focused its submission on areas where it considers that further clarification of the draft guidance would be beneficial to provide direction to SSSPs in navigating the new framework, in particular:

- including a separate problem statement and guidance clarifying that SSSPs need only procure sufficient system strength services to meet the amount of system strength required above that inherently provided through normal synchronous generator operation (rather than for the entire amount of the binding system strength requirement). This clarification would substantially reduce the costs SSSPs expect to incur to meet their system strength obligations, and so will materially assist in containing costs to consumers;
- it would also be helpful for the AER to clarify that SSSPs are able to leverage the AER's SSNS payment guideline during a RIT-T process to assess whether a credible option is likely to be commercially feasible, rather than waiting until after the RIT-T is complete before having regard to the level of network support payments (ie, the costs that will be recovered from consumers).

This is likely to provide stronger incentives for network support proponents to propose contract prices in line with the costs they incur;

- regarding managing uncertainty of IBR forecasts within a three-year window, ENA supports the guidance that SSSPs are able to adopt the best information available and amend the AEMO forecasts as required, to avoid over-procuring system strength services. However, SSSPs may not be able to increase their system strength procurement in a short timeframe in response to best available information if the AEMO forecasts **underestimate** the true system strength need, and SSSPs should therefore be able to rely on AEMO's forecasts of the binding system strength requirement to meet the reasonable endeavours obligation in this case;
- recognising that SSSPs may need to commit to major investments (or long-term non-network contracts) beyond the three-year period where they have a long lead time, and the investment or contract is demonstrated to be justified under the RIT-T;
- on defining the base case, explicitly referencing the challenge of modelling unserved energy in a "do nothing" base case for system strength RIT-Ts, and the ability of SSSPs to cap avoided unserved energy in the RIT-T assessment; and
- allowing SSSPs to draw on the best available information in deciding whether generation and battery projects should be considered as 'anticipated' and included in the base case, in line with the current RIT-T Application Guidelines, which may involve departing from the classification on AEMO's generation information page.

ENA also suggests that the AER reviews the language throughout the guidelines to ensure that it reflects the standard for assessment under the RIT-T, being whether the preferred option (or portfolio of options) maximises the present value of net economic benefits (or minimises the net economic costs, in the case of a reliability corrective action).

ENA looks forward to engaging with the AER on the further development of its updated guidance note. Should you have any queries on this response please feel free to contact Verity Watson, vwatson@energynetworks.com.au.

Yours sincerely,

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Attachment

ENA presents its comments in this attachment in the order in which the sections are presented in the draft guidance note, focusing only on those sections where ENA has substantive comments.

ENA is supportive of the guidance presented, and has no substantive commentary on:

- management of modelling complexity (section 4.4)
- use of a single ISP scenario (section 4.6); and
- the concurrent planning for inertia requirements (section 5.1).

ENA has not proposed any additional areas for the guidance to cover, but has suggested a slight expansion of the draft guidance in several of the areas below.

1. Defining the system strength requirements (section 3)

1.1.1. Satisfying the 'reasonable endeavours' obligation (section 3.1)

Problem statement

ENA agrees with the AER's framing of the problem statement, which highlights that SSSPs have a degree of flexibility in considering what steps are necessary to comply with the reasonable endeavours obligation. This raises the question of whether a SSSP has used reasonable endeavours to meet its system strength obligation in circumstances where it faces limited, high cost options to meet its obligations in the relevant year, which it decides not to adopt, even if a system strength shortfall would therefore occur.

Draft guidance

The AER refers to the AEMC's statement in its draft determination for the system strength rule change that SSSPs must use reasonable endeavours to meet system strength standards, but should not undertake activities, at all costs, to meet the standard at all times and in all circumstances.

ENA supports the AER's draft guidance in clarifying what may be considered to be 'reasonable endeavours', in line with the National Electricity Rules (NER), which pragmatically sets out that:

- a SSSP may reject unreasonable offers (ie, offers that are not prudent and efficient) despite the fact that failure to contract would introduce a partial system strength shortfall; but
- the SSSP should then also consider the further steps it might take if it decided not to incur those costs and what the outcome might be if the shortfall was left unplanned for.

ENA suggests that the AER brings into its draft guidance the AEMC's context to the reasonable endeavours standard, which the AER highlights in discussing the relevant aspects of the framework (section 3.1.2), ie, that:

- it may be in the long term interest of consumers that AEMO might constrain off (or down) some IBR plant if stable voltage waveform is not able to be achieved through the investments made by a SSSP at all times and circumstances, rather than have potential over-investment; and
- if the costs to meet the system strength standard would not be what a prudent and reasonable operator would do, it may not be reasonable for the SSSP to meet the system strength standard just in time, as opposed to slightly later (for example).

ENA also supports the AER's guidance that any compliance assessment will be informed by the quality of the planning process used by a SSSP in making decisions around system strength procurement, and not the outcomes of contracting with network support proponents.

ENA agrees with the AER's guidance that in considering whether to accept a contract it may be relevant for SSSPs to consider whether the costs would be accepted by the AER as prudent and efficient expenditure, in line with the approach set out in the SSNS payment guideline.[1] ENA agrees that the SSSP should also consider the further steps it might take if it did not incur those costs and what the outcome might be if the shortfall was left unplanned for.[2] Consistent with ENA's submission on the draft SSNS payment guideline, ENA suggests that these factors could also form part of the AER's guidance on considering what would be efficient expenditure.

ENA considers that the clarity of the guidance could be improved by including more explicit guidance in the main text (consistent with the flow diagram in Appendix A) that one outcome, consistent with reasonable endeavours, is that the SSSP could reject an unreasonable offer relating to part of the portfolio of solutions, without needing to seek an AER ex-ante determination,[3] which could then result in AEMO managing any system strength shortfalls that then arise through directions.

1.2. Managing uncertainty of IBR forecasts within a three-year window (section 3.2)

Problem statement

ENA generally agrees with the AER's framing of the problem statement, ie:

- SSSPs must use reasonable endeavours to plan, design, maintain and operate their transmission networks, or make system strength services available to AEMO, to meet a system strength planning standard set three years in advance of the compliance year; and
- the actual level and type of inverter-based resources connected may differ from that reflected in the binding system strength requirement, which may lead to SSSPs over-investing or under-investing in system strength, if SSSPs cannot consider more contemporaneous information.

ENA suggests that the problem statement could be better focused by adopting the standard for assessment under the RIT-T framework, being whether the preferred option (or portfolio of options) maximises the present value of net economic benefits (or minimises the net economic costs, in the case of a reliability corrective action),[4] as opposed to considering whether consumers would bear 'higher than efficient costs.'

ENA notes that the negative impacts of system strength over-procurement are not necessarily exacerbated where investment to meet the need is in capex solutions. Non-network solutions may also require commitment to a minimum contract period, and therefore result in 'over-procurement', particularly where the underlying technology is a new project.

Further, it is not the case that capex solutions (such as synchronous condensers) will necessarily 'crowd out' non-network solutions, as:

- the market modelling conducted during a RIT-T explicitly considers the market benefits where a non-network solution is value-stacking and also providing energy into the wholesale energy market, resulting in the option that maximises net economic benefits being selected, and

[1] AER, *System security network support payment guideline*, Draft guideline, October 2024, pp 12-13.
[2] AER, *The efficient management of system strength framework*, Draft guideline, October 2024, p 13.
[3] ENA discusses this further in discussing 'consideration of costs in the RIT-T' in this submission.
[4] NER, clause 5.15A.1(c).

ensuring a fair consideration between network synchronous condensers and non-network solutions;[5] and

- short-term contracts with existing generators and existing non-network options are likely to be preferred to synchronous condensers under the RIT-T for locations with short-term system strength requirements, or where the RIT-T sensitivity analysis shows future requirements are uncertain.

ENA suggests the problem statement could be revised to decrease or remove the emphasis on capex solutions crowding out non-network solutions.

Draft guidance

ENA supports the AER's guidance that SSSPs should use AEMO's forecasts for determining the binding system strength requirement as a starting point, but also take into account the best information available to the SSSP in considering the degree of certainty that the type and level of IBR forecast may materialise.

ENA notes that there is an inherent asymmetry in the ability for SSSPs to change the amount of system strength they procure in a short timeframe in response to best available information, ie, SSSPs:

- may be able to reduce the amount of system strength contracted for in a relatively short timeframe, where AEMO's forecast **overestimates** the true system strength need; but
- may not be able to procure additional system strength services within a short timeframe, if AEMO's forecast **underestimates** the true system strength need.

ENA suggests that the AER's guidance could be improved by recognising this asymmetry, and clarifying that SSSPs are able to rely on AEMO's forecasts to meet the reasonable endeavours obligation where there is insufficient lead time for SSSPs to procure sufficient system strength solutions to meet the true need based on contemporaneous information.

Relatedly, ENA agrees that SSSPs should have the flexibility to incorporate contemporaneous information to modify the system strength requirement, and that this will help to minimise under- or over-investment. However, ENA highlights that divergence from the AEMO forecasts risks being controversial with stakeholders in some circumstances, and so it is not a substitute for AEMO updating its forecasts where material additional information emerges.

1.3. Managing uncertainty of system strength requirements beyond the compliance year (section 3.3)

Problem statement

ENA agrees with the AER's problem statement that SSSPs may not be able to identify the most efficient solution to meet system strength requirements in the medium to longer term if they cannot:

- consider the forecast system strength requirements beyond the relevant compliance year; or
- make assumptions about system strength demand in the future, including the potential for some IBR to self-remediate in the future to avoid the system strength charge.

ENA notes that some of the investments to meet system strength requirements have long-lead times. In particular the procurement timeframe for synchronous condensers could be a minimum of 5-6 years from the start of the RIT-T process to commissioning. This means that if these investments are

[5] Notwithstanding that the resource cost of the solution in the RIT-T assessment may be above the cost that the non-network proponent would seek to recover through system strength services due to its value stacking.

to be progressed, they necessarily need to be committed to several years in advance of the compliance year.

Draft guidance

ENA agrees with the AER that, in developing portfolios of options for system strength, the ability of options to provide option value and defer the need to commit to a long-lead time investment is an important consideration, in the event that future circumstances change. Technology is evolving rapidly and SSSPs are learning and adapting to the availability of new solutions. SSSPs typically consider option value through considering options that exhibit some flexibility in the RIT-T assessment, and conducting scenario and/or sensitivity analysis.

Notwithstanding, consideration of option value and flexibility needs to be balanced against the need to commit to procurement for long-lead investments, so that those investments are available and able to be put in place by the time they are required. If that does not occur it will be impossible for SSSPs to meet their future system strength requirements when they finally fall within the binding 3 year period.

The RIT-T is the main vehicle for SSSPs to demonstrate when capital investments which have a long lead-time are justified to meet system strength needs, and when more flexible options, which are able to adapt as future circumstances unfold, may provide a greater expected net market benefit. ENA considers that the AER's guidance in this area should recognise that SSSPs should procure solutions in accordance with the outcomes of the RIT-T process, and specifically, procure long-lead time investments if they are shown to be part of the preferred option portfolio under the RIT-T.

Further, ENA notes that in conducting sensitivity assessments to assess the benefits of flexible options, the presumption should be that the SSSP adopts the information which is in the ISP step change scenario (eg, information on coal generator retirements), as this is the scenario that SSSPs are required to plan to.

ENA appreciates the clarification in the draft guidance that a RIT-T option can reflect the costs of obtaining a 'slot' in the order queue for a synchronous condenser (with confirmation of that order occurring later, in order to maintain flexibility). However, from a practical perspective, current challenges associated with synchronous condenser procurement, due to high global demand and low supply, means that it is very unlikely that a SSSP could procure such a slot without committing to actual procurement. ENA therefore suggests that the AER's example in Box 2 should be caveated by the words 'where that is a feasible option'.

Finally, ENA supports the AER's draft guidance on documentation expectations, particularly where changes to particular assumptions could have a material impact on the identified need. ENA recommends that, consistent with the RIT-T guidelines, the AER clarifies that SSSPs may conduct sensitivity analysis on key assumptions, proportionate to the size of the RIT-T, potential magnitude of impact on the identified need, and computational effort of undertaking those sensitivities.

1.4. Cross-border contributions (section 3.4)

Problem statement

ENA agrees with the AER's problem statement, which identifies that:

- without coordination between neighbouring SSSPs, there is an increased risk of over-procurement and over-reliance on other jurisdictions for system strength services; and
- without broader coordination between SSSPs and REZ planning entities, there is a risk of over-procurement for self-remediating IBR.

Draft guidance

ENA supports the AER's guidance on cross-border contributions, both between neighbouring SSSPs and REZ planning entities.

In particular, ENA supports the AER's pragmatic approach for SSSPs coordinating between REZ planning entities, in that is reasonable for the SSSP to consider the best available information on relevant investments or activities expected to be undertaken in a REZ and assess the degree of certainty that the investment will materialise.

ENA considers that the AER's guidance should be extended to allow a SSSP to take into account best information that a REZ planning entity **is highly likely to** make firm commitments to procure a system strength solution in defining the identified need. This recognises that the REZ planning entity may not have committed to self-remediation, but that it remains highly likely (as for example, is currently the case in NSW with respect to the New England REZ, which has material implications for the amount of system strength that Transgrid needs to procure).

2. Applying the RIT-T for system strength (section 4)

2.1. Consideration of costs in the RIT-T (section 4.1)

Problem statement

ENA agrees with the AER that the foundational factor in the problem statement is the potential for economic costs and the proposed contract prices for non-network options to differ.

ENA also agrees that a key driver of the potential divergence between economic costs and proposed contract prices is a potential lack of competition in the market for system strength services, which is exacerbated by the geographic nature of the system strength requirements. Consistent with the AER's draft guidance, ENA notes that SSSPs are already contemplating parallel tenders for system strength RIT-Ts to understand contract prices ahead of the PACR stage of the RIT-T, and to maximise competitive tension. For example, this is something Transgrid is currently considering for NSW.

ENA also acknowledges the potential for non-network proponents to offer prices above economic costs to compensate for unanticipated risk allocations under contracts, and notes the role that transparency around contractual terms can play in alleviating this issue. However, ENA expects that this issue is of secondary importance to the market power concern.

ENA notes that where contract prices do differ from economic costs, this is unlikely to give cause for a dispute of the RIT-T (as suggested in the AER's draft guidance note), as the AER's guidance on including non-network options on the basis of their economic cost is clear (and re-iterated in the draft guidance note). Rather, this divergence could cause the AER to later determine that the proposed contract is not prudent and efficient (as part of an ex-ante determination or an ex-post cost pass through determination).

Draft guidance

The AER's draft guidance helpfully sets out steps that SSSPs may be able to take to manage the risk of divergence between economic costs and actual contract prices. In particular ENA supports the following aspects of the draft guidance:

- being transparent around expected contract terms with non-network proponents:
    - both Transgrid and Powerlink have published high-level contractual terms and templates for network support agreements as part of their system strength RIT-T processes to assist non-network proponents with proposing a contract;
    - ENA does not consider it to be practical for SSSPs to make any assumptions about the economic costs associated with risk management on behalf of non-network providers, as they will not have the relevant information. It would however be reasonable for SSSPs to request this cost information from non-network proponents;

- using information provided by non-network proponents (in response to the PSCR or PADR, or in an EOI) to inform the economic cost estimates used in the RIT-T:
    - although ENA supports seeking this information from proponents, it is also important that it can be confirmed or cross-checked with information from other, independent sources (such as AEMO's IASR), given its potential importance in determining the RIT-T outcome;
- running a tender for network support services in parallel with the RIT-T process; and
- including a material change in circumstances trigger in the RIT-T, to address circumstances where the finalisation of a contract following completion of the RIT-T results in proposed prices which the SSSP and/or the AER (through an ex-ante determination) considers not to be prudent and efficient (making the option no longer commercially feasible).

ENA considers that the pressure on non-network proponent's prices (and therefore their alignment with the AER's guidance) could be improved by allowing SSSPs to rule system strength solutions out for not being credible (ie, not commercially feasible) at the PADR and PACR stages of the RIT-T, if those solutions would not pass the AER's ex-ante assessment of whether the contract is prudent and efficient.

Being able to leverage the guidance provided in the SSNS payment guidelines in this way will help to drive the best outcome for consumers. It is likely that, in reality, there will be a limited pool of system strength service providers in some circumstances, and so leverage of the AER's ex-ante review is an important constraint on NNO prices diverging too far from economic costs.

This guidance could be further complemented by adjustments to the flowchart presented in Appendix A of the system strength guidance, to reflect that the 'prudency and efficiency factors for 'contract review' could also feed into the RIT-T process.

2.2. Assumptions about generator operation (section 4.2)

Problem statement

ENA suggests the problem statement in this section of the guidance note, and the accompanying guidance, be extended to explicitly refer to the interpretation of the amount of system strength SSSPs are required to contract for, and specifically, the amount that SSSPs can assume will be provided by synchronous generators 'for free' as a byproduct of the provision of energy.

The wording of the NER Schedule 5.1.14(b) is potentially ambiguous on this point, and in particular whether in 'planning' to make system strength services available to AEMO, the SSSP can 'take as given' the system strength that is provided as a result of the operation of synchronous generation. The interpretation has a substantive impact on the amount of system strength that a SSSP has to procure, and therefore on the costs of meeting the system strength requirement which are then passed through to consumers. Further, at the time of the rule change, it was recognised that, especially in the early years, there may be limited countervailing market power for system strength services provided by synchronous generators.[6]

Draft guidance

ENA considers there would be value in the AER addressing this point in its guidance note, and in particular in clarifying (in line with its draft guidance) that SSSPs are only required to contract for (or invest in) system strength services over and above those which are expected to be provided by synchronous generators as a byproduct of being dispatched in the energy market.

[6] AEMO, *Submission re Draft Determination – Efficient management of system strength*, 17 June 2021, p 7.

On the separate but related point on what assumptions SSSPs should make in modelling future generator dispatch outcomes in light of the possibility that generators may alter their bidding behaviour, ENA supports the draft guidance which allows the SSSP to adopt competitive (SRMC) bidding and consider more realistic bidding outcomes as a sensitivity **where it is not disproportionate**, in line with the current RIT-T instrument. ENA notes that assumptions around realistic bidding can become complex, and it is important that the AER's existing broader guidance in the RIT-T Application Guidelines on the need to ensure the proportionality of the assessment is borne in mind.[7] ENA suggests that the AER could extend its wording in this section to refer to '…where it is not disproportionate to the scale and likely impact of each of the credible options being considered.'

2.3. Defining the base case (section 4.3)

Problem statement

ENA agrees with the AER's problem statement, and particularly the identification that a 'do nothing' scenario is challenging for system strength as it involves considering an outcome where the standard is not being met.

ENA suggests that the problem statement could be expanded through an explicit reference to the challenge of modelling unserved energy in a 'do nothing' base case. This challenge arises, both as a consequence of there being no experience of how the system would operate with insufficient system strength (and therefore the extent to which unserved energy may arise), as well as the magnitude of the unserved energy in the base case.

By way of example, in Transgrid's system strength RIT-T PADR modelling, avoided unserved energy (involuntary load shedding) in a 'do nothing' base case exceeded $10 billion per year by 2028/29, increasing to over $100 billion per year by the end of the assessment period.[8]

Draft guidance

ENA understands the AER's draft guidance to afford SSSPs flexibility in defining the base case, within the context that the base case represents a 'do nothing' option. As a consequence, the guidance allows flexibility for SSSPs to consider how to take AEMO directions into account in the base case, but not to assume that in the base case such directions would not be required.

It would be helpful if the AER's guidance explicitly recognised that the flexibility provided to SSSPs in defining the base case also extends to the approach taken to estimating unserved energy (since, as noted by the AER, this will not actually affect the outcome of the RIT-T). It would also be helpful if the guidance also noted that SSSPs are able to cap avoided unserved energy for system strength RIT-Ts, in order to ensure that the differences between the options in the RIT-T assessment are not swamped by the unserved energy outcome. ENA notes that the capping of unserved energy is consistent with previous AER guidance, but that it would be helpful to point to that in the context of system strength RIT-Ts.

Finally, ENA suggests that the wording of the AER's guidance in this section be amended to refer to the approach taken being 'consistent between options for that RIT-T'. This would avoid any interpretation of the word 'consistent' to mean consistent across subsequent RIT-Ts and/or consistent between SSSPs. ENA notes that the choice of base case should be fit for purpose for that particular RIT-T, which may change over time (ie, for future RIT-T applications) and between SSSPs.

2.4. Treatment of anticipated projects (section 4.5)

Problem statement

[7] AER, *Regulatory investment test for transmission*, Application guidelines, October 2023, pp 44 and 50; NER, clause 5.15A.2(b).
[8] Transgrid, *Meeting system strength requirements in NSW – RIT-T PADR*, 17 June 2024, pp 73-74.

ENA agrees with the AER's problem statement which highlights that only incremental costs are considered for projects included in the base case, in contrast to the full capital costs of the investment for projects that are not in the base case. This means that defining which projects should be included in the base case is important, as it can impact the RIT-T outcome.

Draft guidance

The AER's draft guidance is that SSSPs should include anticipated projects in the base case where:

- the project is captured in ISP scenarios;
- for generation of battery projects, the project is classified as anticipated on AEMO's generator information page; and
- for projects that are not generation or battery projects, the SSSP's best available information suggests it should be included in the base case.

ENA suggests that the AER's final guidance should allow SSSPs to take into account the best information they have in determining whether a project is anticipated for generation and battery projects as well as for other projects.

An anticipated project is defined in the RIT-T instrument as a project which does not meet all of the criteria of a *committed project* (as defined in the glossary) and is in the process of meeting at least three of the criteria. The definition of a committed project sets out five criteria which need to be met.

The RIT-T instrument (paragraph 22) notes that inclusion or exclusion of particular *anticipated projects* may occur, based on their degree of likelihood of being commissioned within the modelling period.

Currently SSSPs assess whether a particular project should be treated as 'anticipated' based on the most recent information available to them. This typically includes having regard to AEMO's generation information page (for generation and storage projects), as well as more recent information (which is often requested from proponents as part of the RIT-T process) which may result in a project not currently classified as anticipated by AEMO being considered anticipated for the purposes of the RIT-T.

AEMO's generation information page collects information reported from generation industry participants, which is then reflected on its website at least every three months.[9] By way of example, AEMO last updated the generation information page on 29 July 2024, and on 27 May 2024 and 16 April 2024 before that. As such, it may not always reflect the most up-to-date source of information, particularly where the SSSP has requested updated information from the proponent for the purpose of making its assessment against the relevant criteria.

ENA considers that it would be more appropriate to allow SSSPs to take into account the best information available to them. Where this results in a difference to the classification in AEMO's generation information page the SSSP should then explain the basis for this difference, in line with the more general requirement in the AER's RIT-T Application Guidelines.[10]

Further, ENA suggests that the guidance also recognise that SSSPs may also need to classify major loads as anticipated, by reference to the same criteria.

3. Clarifying the language adopted in the guidance note

[9] https://aemo.com.au/en/energy-systems/electricity/national-electricity-market-nem/nem-forecasting-and-planning/forecasting-and-planning-data/generation-information, accessed 21 October 2024.
[10] AER, *Regulatory investment test for transmission*, Application guidelines, October 2023, p 43.

ENA suggests that the AER reviews and revises the language throughout the guidelines to reflect the standard for assessment under the RIT-T framework, being whether the preferred option (or portfolio of options) maximises the present value of net economic benefits (or minimises the net economic costs, in the case of a reliability corrective action). The draft guidelines currently conflate this in places with whether the option is the lowest cost or minimises costs for consumers.

ENA sets out some specific suggested language amendments in the table below.

Page number	Statement	Suggested amendment
10	In practice, SSSPs are likely to need to procure system strength from multiple sources to meet their binding system strength requirements at efficient cost.	In practice, SSSPs are likely to need ~~to~~ procure a portfolio of system strength solutions from multiple sources to meet their binding system strength requirements ~~at efficient cost~~ in a manner which maximises net economic benefits (or minimises net economic costs in the case of a reliability corrective action).
10	However, there is a risk of asset underutilisation if lower cost sources of system strength become available and/or the demand for system strength is less than forecast.	However, there is a risk of asset underutilisation if ~~lower cost~~ sources of system strength with higher net market benefits become available and/or the demand for system strength is less than forecast.
28	…provided the assumptions are clearly stated and tested via sensitivity analysis to demonstrate the reasonableness of the assumptions.	…provided the assumptions are clearly stated and tested via sensitivity analysis to the extent that it is proportionate to the scale and likely impact of each credible option, to demonstrate the reasonableness of the assumptions.[11] [Rationale: The AER's guidance should explicitly refer to the proportionality of sensitivity analysis, including the impracticality of testing a large number of assumptions due to computational constraints.]

[11] AER, *Regulatory investment test for transmission*, Application guidelines, October 2023, p 50.