

At A Glance

# Experience with Regulatory Investment Tests for Electricity Network Augmentation

## Overview

NERA has been involved with the application of regulatory investment tests to electricity network assets in Australia since 1998. Over this time we have developed a detailed understanding and expertise in the application of the Australian Energy Regulator's (AER) "regulatory test" as well as the regulatory investment test for transmission (RIT-T).

NERA has assisted network businesses in the following areas:

- Practical application of the RIT-T and the regulatory test (for both transmission and distribution businesses).
- Involvement throughout the RIT-T development process, including support during the AER's consultation on the RIT-T and the accompanying guidelines.
- Preparation of internal manuals and facilitation of workshops covering both the process and quantification requirements of the RIT-T.

Our in-depth practical experience makes us exceptionally well placed to provide advice across all aspects of the regulatory investments tests, including the new regulatory investment test for distribution (RIT-D).

## Key Areas of Expertise

NERA's extensive experience with the regulatory investment tests includes work across the following areas:

### Internal processes, manuals, and workshops

- NERA led the development of a RIT-T Cost Benefit Analysis handbook for Grid Australia.<sup>1</sup> The Handbook, aimed at practitioners, includes guidance on alternative quantification approaches for market benefit categories.
- NERA has developed internal training materials and run workshops for several TNSPs in relation to RIT-T implementation, drawing on our own hands-on experience and deep expertise.

<sup>1</sup> Publicly available at [http://gridaustralia.com.au/index.php?option=com\\_content&view=category&layout=blog&id=129&Itemid=246](http://gridaustralia.com.au/index.php?option=com_content&view=category&layout=blog&id=129&Itemid=246)



## Application of the RIT-T

- NERA has assisted with the application of the RIT-T to several network augmentation projects, including both the quantitative analysis and preparation of the required consultation documents. Our transmission clients have included TransGrid, and ElectraNet.
- NERA has also provided ad hoc assistance on aspects of the RIT-T, and acted in a 'peer review' role for the business' own analysis.

## Application of the regulatory test for distribution

- NERA has undertaken the quantitative regulatory test analysis and prepared the relevant consultation documents for a number of distributors.
- Our distribution clients have included CitiPower, Powercor, and SA Power Networks.

## About NERA

NERA Economic Consulting ([www.nera.com](http://www.nera.com)) is a global firm of experts dedicated to applying economic, finance, and quantitative principles to complex business and legal challenges. For over half a century, NERA's economists have been creating strategies, studies, reports, expert testimony, and policy recommendations for government authorities and the world's leading law firms and corporations. We bring academic rigor, objectivity, and real world industry experience to bear on issues arising from competition, regulation, public policy, strategy, finance, and litigation.

NERA's clients value our ability to apply and communicate state-of-the-art approaches clearly and convincingly, our commitment to deliver unbiased findings, and our reputation for quality and independence. Our clients rely on the integrity and skills of our unparalleled team of economists and other experts backed by the resources and reliability of one of the world's largest economic consultancies. With its main office in New York City, NERA serves clients from more than 20 offices across North America, Europe, and Asia Pacific.