

Mr Christiaan Zuur
Director
Australian Energy Market Commission
Level 6
201 Elizabeth St
Sydney NSW 2000

Lodged online via www.aemc.gov.au

Dear Christiaan,

Re Rule Change Project ERC0258 – Early implementation of ISP priority projects

Neoen welcomes the opportunity to respond to the AEMC's Consultation Paper regarding Dr Kerry Schott AO's Rule Change Request – *Early implementation of ISP priority projects* (21 December 2018).

Neoen is the leading French, and one of the world's leading independent producers of renewable energy. Neoen is a responsible company with a long-term vision that translates into a strategy seeking strong, sustainable growth. We have 2 GW of projects globally in operation and under construction, including in the NEM: Hornsdale Wind Farm (309 MW in SA); Parkes, Griffith, Dubbo, and Coleambally Solar Farms (combined 255 MW in NSW); Bulgana Green Power Hub (hybrid wind/battery system) and Numurkah Solar Farm (combined 314 MW in VIC); and the Degrusa Hybrid Power System (10.6 MW in WA). Neoen is also the owner of Hornsdale Power Reserve (100 MW/129 MWh battery system) in SA, which has provided fast frequency response to the network following the loss of synchronous generation in the NEM on several occasions, in a faster time than any other source of energy reserve previously.

Issues identified in the Rule Change Request

Whilst Neoen agrees with the issues identified by the proponent around the existing RIT–T processes and timelines under NER clause 5.16.6 being too long to enable the ISP Group 1 projects to be commissioned when they will be required, we are of the view that the proposed Rule Change will not be sufficient to meet what we believe to be the aims of reforms which enable energy and system security services to be provided to consumers and the market in the shortest possible timeframe and at the lowest possible cost, while also advancing the National Electricity Objectives (NEO).

Proposed solution

The proposed solution to the identified issues merely streamlines one part (albeit a crucial part) of the post-RIT–T processes for the ISP Group 1 projects. We believe this is too conservative an approach which only *may* succeed in meeting the stated objective. This is because there is always a possibility that parts of the RIT–T process may themselves experience unexpected hurdles and delays which may negate at least some of the time gained from the proposed changes. A more significant concern is that although these projects have been subject to respective RIT–T processes since November 2018, there is a likelihood they will not be implemented within the next three years, despite these Group 1 projects involving only "minor upgrades" to VNI and QNI.

Moreover, the ISP already found that these projects are required immediately in order to maximise economic benefits and ensure system security:

"To enable these benefits, the ISP identifies two relatively minor transmission augmentations that would increase transfer capacity among New South Wales, Victoria and Queensland, providing immediate reliability and economic benefits by increasing competitive alternatives to consumers. The transmission is projected to benefit consumers in all regions by making better use of existing investment and creating greater market opportunities for new investment, including any required and planned new local generation capacity in New South Wales.

These minor transmission upgrades will save on total system costs by improving productive efficiencies. In the absence of strong operational demand growth, greater interconnection across the NEM would increase efficient utilisation of existing and committed resources, reducing reliance on higher-cost GPG, allowing coal-fired generators to operate within more efficient ranges, and providing immediate benefits to consumers by relieving network congestion...

...AEMO recommends that these network investments be progressed as soon as possible, because of the identified benefits they provide immediately, and the support they deliver to achieve the highest consumer economic and system security and reliability benefits over a range of modelled plausible scenarios.” (pp. 7-8).

A primary aim of a RIT–T process is to determine whether a particular project option will deliver a net positive benefit. Yet it is apparent that the ISP – through AEMO’s rigorous modelling and analysis – has already proven the desired such benefits that the Group 1 projects will deliver.

In this regard, it is Neoen’s view that carrying out RIT–T processes on the Group 1 projects would be a time-consuming, superfluous exercise. We therefore propose that an alternative solution should be considered by this Rule Change, namely *to grant a complete exemption to the ISP Group 1 projects from the RIT–T in its entirety.*

Furthermore, the alternative solution would grant a one-time special provision:

1. For the TNSPs responsible for implementing the Group 1 projects to propose to the AER, within two (2) months of this rule change coming into effect, appropriate amendments to their most recent Regulated Revenue Determinations to include their respective Group 1 projects, using the same methodology applied by the AER to make those Regulated Revenue Determinations in proposing their revenue requests; and
2. For the AER to amend, within three (3) months of receiving the TNSPs proposed amendments above, the most recent Revenue Determinations of each of the relevant TNSPs to add appropriate allowances for the new projects, in accordance with the methodology applied in making those Revenue Determinations.

Neoen is of the view that such an approach would save at least 12 months off the solution currently proposed, which would save money to consumers (due to the reduced time spent on the regulatory process), and provide the TNSPs with sufficient time to plan and implement the Group 1 projects well in time to meet the date they are required (2022).

Assessment Framework

Neoen supports reforms which both enable energy and system security services to be provided to consumers and the market in the shortest possible timeframe and at the lowest possible cost, and also advance the National Electricity Objectives (NEO). Neoen partially agrees with the AEMC’s proposed assessment framework in the Consultation Paper. Where we differ is on assessing the minimisation of “inefficient increases in regulatory cost”. Ordinarily, the AEMC’s premise would be correct where it posits that:

“Increased regulatory costs are ultimately borne by consumers in the form of higher prices. The benefit of any increased regulatory activity needs to outweigh the costs in order for the change to be efficient.” (p.7).

In this case rather, Neoen is of the view that the AEMC should also assess the benefits of any *reduced* regulatory activity both in terms of lower costs to consumers, and in providing the required energy and system security in time for when they are required (2022).

Conclusion

On behalf of Neoen, I wish to thank you again for the opportunity to contribute this submission to the Rule Change consultation.

Should you have any questions or seek to follow up this submission at any time, please feel free to contact our Ronny Schnapp via email at ronny.schnapp@neoen.com.

We look forward to engaging with the AEMC and stakeholders further on this and future consultations.

Kind regards,



Franck Woitiez,
Managing Director,
Neoen Australia