



8 November 2019

Mr John Pierce AO
Chair
Australian Energy Market Commission
PO Box A2249
Sydney NSW 1235

Dear Mr Pierce

RE: NFF response AEMC renewable energy zones discussion paper

The National Farmers Federation (NFF) welcomes the opportunity to prepare a submission to the Australian Energy Market Commission's discussion paper on renewable energy zones (REZs). Australia's decentralising electricity system and continued uptake of large-scaled solar and wind technologies can provide opportunities for substantial rural and regional investment through REZs. Consistent with the NFF's 2030 aspiration for agriculture to become a \$100 billion industry by 2030, the development of REZs could assist the sector's transition towards renewable energy.

However, the NFF recognises the importance of efficient investment in transmission and generation capacity to avoid overinvestment. Rural and regional Australians are still wearing the cost of excessive electricity prices through 'gold plating'.

While there are clear benefits of REZs for rural and regional Australia if implemented correctly, the NFF notes that not all REZs may be desirable in locations identified within AEMO's ISP. There is an inherent risk of competing land use with the continued expansion of large-scaled renewable facilities. Of particular concern is the potential loss of prime agricultural land crucial to growing our food, fibre and foliage.

Therefore the NFF asks the AEMC to:

- recognise the important role that the agriculture sector plays — and will continue to play — in the economies of our local communities, our states and territories and our nation;
- strive for coexistence between land use practices where possible
- recognise that prime agricultural land is an irreplaceable resource that must be protected from permanent loss for agricultural use; and
- recognise the importance of consulting local communities.

Having a social licence to operate is equally important. Given REZs involve renewable generators clustering in a particular zone, it is necessary that industries engage respectfully and constructively with these communities, particularly if they require access to land, to minimise delays establishing REZs.

The NFF considers the discussion paper through a cost lens which identifies two types of REZ:

- Type A – a cluster of generators connected to the shared transmission network through a dedicated ‘connection asset’.
- Type B – a cluster of generators connected within the shared transmission network.

The NFF agrees there is no ‘one-size-fits-all’ model and agrees with the separate process on REZs to better facilitate their development and address their various issues. The AEMC also identifies the following key issues:

- Incentives to coordinate generation infrastructure (Type A)
- Incentives to coordinate transmission and generation infrastructure (Type A and B)
- Incentives for efficiency transmission infrastructure (Type A and B).

While many elements of the discussion are beyond the expertise of the NFF, we have been following commentary surrounding proposed models for REZ development, as well as proposals to improve coordination of generation and transmission investment and in that context wish to make the following observations:

- Over-investment in networks was responsible for the largest increase in overall costs between 2007-08 and 2017-18 — about 35 per cent of the increase.
- Therefore, proposals should be centered on coordinating efficient generation and transmission investment, while managing the risk of stranded assets and over-investment.
- The NFF has examined a number of submissions to the AEMC, noting the broad concerns towards the AEMC’s proposals¹. In particular, the NFF notes concerns raised about the AEMC’s proposed model by Origin Energy through their appended Castalia Report which advises against its adoption.
- The NFF is concerned about costs that may be passed onto customers through additional regulatory complexity, and suggest that a cost-benefit analysis of proposed option(s) would be prudent.
- The PIAC model provides an interesting risk- and cost-sharing framework, and flexible funding arrangements that may warrant further investigation.

Yours sincerely



TONY MAHAR
Chief Executive Officer

¹ <https://reneweconomy.com.au/renewable-industry-rejects-aemc-new-pricing-proposals-fears-investment-halt-15080/>