

03 November 2022

Anna Collyer
Chair
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney, NSW 2000
(via online submission – reference code: EPR0087)

Transmission Planning and Investment Review – Stage 3, Draft Report Submission

Dear Anna,

The Clean Energy Finance Corporation (**CEFC**) welcomes the opportunity to make a submission in response to the Australian Energy Market Commission's (**AEMC's**) Transmission Planning and Investment Review – Stage 3, Draft Report (the **Report**).

The CEFC is responsible for investing \$10 billion in clean energy projects on behalf of the Australian Government and was established to facilitate increased flows of finance into the clean energy sector. The CEFC now has the added objective to facilitate the achievement of Australia's greenhouse gas emissions reduction targets, with the current 2030 target of a reduction in emissions by 43% below 2005 levels by 2030. We also note that the Federal Budget has recently allocated an additional capital injection for the CEFC to fulfill our role as the agency responsible for the financing aspects of the Australian Government's \$20 billion Rewiring the Nation (**RTN**) infrastructure program. The CEFC supports the development of a secure, reliable and affordable electricity system whilst lowering emissions through its investment activities, including large-scale renewable energy, energy storage and other initiatives in accordance with the 'grid firming' focus of our Investment Mandate. The CEFC considers the potential effects on reliability and security of supply when evaluating renewable generation investments and prioritises investments, including network solutions, that will support reliability and security of electricity supply. In particular, the RTN will focus on investment in transmission and distribution network assets, energy storage and renewable energy zones, which will all be critical in the transition of Australia's energy system.

Given the CEFC's unique role in the Australian energy market, we are of the view that the most valuable perspective we can bring to policymakers is as an investor who invests in the public interest with commercial considerations in mind. The observations we make are from our perspective as a financial investor (albeit one with a specific policy objective to facilitate a low-carbon transition). The views and approach of the financial investment community are critical to Australia's ability to cost-effectively fund our energy transition.

We estimate that somewhere in the order of \$100 billion will be needed to fund new solar, wind, transmission, storage and ancillary services over the coming two decades. The cost of capital will be a key determinant of end-consumer charges, given the high fixed cost / low operating cost nature of the investments to be made. There is ample

domestic and international capital available if the risk and return settings are appropriate for financial investors. However, we note that large financial investors are generally risk-averse. Given the complexity of the Australian energy market, any market redesign should consider how it might impact the investment community's perception of risk.

The CEFC has a strong focus on investing in essential grid expansion and augmentation as part of Australia's important renewable energy transition. The CEFC has committed market gap financing of \$295 million to support the construction of Project EnergyConnect, \$125 million to support the grid connection needs of Snowy 2.0 and \$160 million to support the construction of transmission and grid infrastructure in the Southern Downs Renewable Energy Zone.

Our submission focuses on issues that are most relevant to our role and experience as a clean energy investor and lead delivery agent for the financing component of the RTN policy. RTN has a focus on using concessional finance to support timely investment in transmission and the decarbonisation of Australia's economy. Consequently, we support the AEMC's consideration of the treatment of concessional finance within the regulatory framework to provide greater clarity and transparency.

We agree that the concessional finance framework is intended to be applied to either or both the TNSP and consumers. This is needed to fulfil the RTN objective of transforming Australia's electricity grids to provide the critical infrastructure needed to bring low-cost renewable energy to energy consumers. The allocation of the beneficiary will vary based on the particular circumstances of each investment. For example, finance intended to reduce the maximum allowable revenue or a cost-benefit gap is likely to be directed towards consumers, whereas finance intended to address financeability challenges may be directed towards network service providers (**NSPs**). We consider that there must be a pathway for the intent of the concessional finance provider to be taken into account in the regulatory framework as this form of finance is an important tool for governments and the finance provider to achieve policy objectives. Consequently, the value of the benefit passed onto consumers should be calculated by the financier and provided to the Australia Energy Regulator (**AER**) by the NSP for the AER's determination. We also agree that the AER should specify an obligation on the NSP to disclose use of concessional finance.

We note the AEMC's questions in chapter 4 of the consultation paper and believe that there are issues pertaining to concessional finance that require further consideration. Such issues include the interaction of concessional finance with AEMO's ISP and the most optimal way to apply concessional financing (e.g. via a capital contribution, via adjustments to recovery of revenue etc.) We wish to work collaboratively with the AEMC to explore the most appropriate mechanism for treatment of concessional finance in the rules.

We also support the AEMC's consideration of ensuring that the economic framework supports the timely delivery of major transmission projects to support the transition. Acceleration and timely delivery of transmission projects that deliver low-cost renewables to load will be critical for Australia to achieve an orderly and efficient transition, which ultimately supports a lower cost energy system. The CEFC support reducing the need for government underwrites to enable the optimal development pathway timing for the delivery of major transmission projects as the regulatory framework should support the network delivery required to achieve the optimal outcome.

Furthermore, the CEFC believe that community considerations should be taken into account in earlier on in the network planning decision-making process so that communities are engaged as soon as practicable to facilitate better social licence outcomes in each affected community.

We very much value the opportunity that the AEMC has provided to enable the CEFC to provide input into this process. Should you wish to discuss this submission further, please contact Allina Fawcett (Manager, Strategic Research Programs) – allina.fawcett@cefc.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ian Learmonth', with a stylized flourish at the end.

Ian Learmonth

Chief Executive Officer