
Date: 28th September 2023

Submitted via website

RE: Enhancing certainty in the R1 process Consultation Paper¹

We thank the Government for the opportunity to engage on the Capacity Investment Scheme, and also for the significant work undertaken to present a helpful and workable model.

Iberdrola Australia delivers reliable energy to customers through a portfolio of wind and solar capacity across New South Wales, South Australia, Victoria, and Western Australia. Iberdrola Australia also owns and operates a portfolio of firming capacity, including open cycle gas turbines, dual fuel peaking capacity, and battery storage. Our development pipeline has projects at differing stages of development covering wind, solar and batteries. This broad portfolio of assets has allowed us to retail electricity to over 400 metered sites to some of Australia's most iconic large energy users.

Iberdrola Australia is part of the global Iberdrola group. With more than 120 years of history, Iberdrola is a global energy leader, the world's number-one producer of wind power, an operator of large-scale transmission and distribution assets in three continents making it one of the world's biggest electricity utilities by market capitalisation. The group supplies energy to almost 100 million people in dozens of countries, has a workforce of more than 37,000 employees and operates energy assets worth more than €123 billion. Our global expertise positions us to deliver an integrated approach to decarbonisation across Australia, including through our hydrogen and networks businesses.

1. Response to the Consultation Paper

Delivering the energy transition will require significant investment over the next decade. This will include projects in current and future Renewable Energy Zones, but also projects that can maximise the utilisation of the exiting network – delivering lower overall costs and geographical diversity.

Maintaining system security is critical throughout the transition, and AEMO and NSPs (rightly) have a responsibility to ensure that any projects connecting to the grid are able to do so in a safe and secure manner. However, many aspects of the current framework require significant rework if there are even minor

¹ <https://www.aemc.gov.au/rule-changes/enhancing-investment-certainty-r1-process>

changes to either the project or to the network (outside of the project's control) which do not impact the wider network. In the Clean Energy Council's (CEC's) terminology, all projects are effectively treated as "Type 4" projects regardless of the materiality or source of any changes.

Beyond the financial impacts of these studies and project delays, this creates uncertainty over project delivery timelines which prevents utilities from contracting the output of the project to customers. This reduces the availability of competitive, green energy contracts to customers. Delays also mean less efficient use of shared equipment and workforce, which are both increasingly constrained resources.

We also note that there are sometimes overlapping and arguably unclear roles between NSPs and AEMO, in terms of who has final responsibility for approving projects in the R1 phase and on what timeframes.

We therefore support the Rule Change request by the Clean Energy Council (CEC), including the associated problem statement and the CEC's proposed changes. The proposed framework recognises that small changes to project design (and the wider grid) are a natural part of finalising any project and, if they do not materially change the project outcomes, should be treated administratively rather than through extensive engineering studies. We also support the Clean Energy Council's submission.

We further note:

- The proposed tiers seem reasonable and would provide sufficient flexibility to both projects and AEMO in terms of classifying different project statuses. This framework creates a distinction between the compliance of a project with its GPS and changes that will actually create a material impact on the network.
- We support further guidelines for NSP/AEMO to respond within specified timeframe. However, we note that timeframes shouldn't be seen simply as the time to provide a response (regardless of the content of that response) but should ideally be the time to meaningfully resolve or identify a required resolution to an issue. In some cases, current obligations are being strictly but not practically met, leading to project delays. We recommend further engagement between industry, AEMO, and AEMC to establish timelines that are achievable and enforceable.
- We support the increased transparency requirements that would require the NSP to transparently demonstrate how a change to the technical parameters of a plant's connection could result in a significant adverse impact on system security, power quality or operability. Under the current Rules, there are no requirements for NSPs or AEMO to provide any guidance or evidence as to the nature of the issues identified during the R1 process.

- The possibility of shared solutions for “Type 3” projects may deliver more efficient technical and economic outcomes overall. This is similar to the evolution of system strength frameworks.
- Similarly, the definition of “material” needs to be carefully defined. We agree there is value in having appropriate materiality guidelines developed outside the Rules, which will allow flexibility as the grid evolves. However, the Rules should include sufficient guidance that both AEMO/ NSP and participants can engage in the clear development of those guidelines. The Rules may need to include what can and can’t be considered in the guidelines, to avoid actually creating *additional* barriers to projects. That is, the Rules should be clear enough that Guidelines cannot be used to enforce an interpretation of the Rules or additional obligations which are not related to the Rules.
- We see additional opportunities to streamline various approval processes. For example, explicitly identifying the NSP as the responsible party with AEMO in an advisory role – rather than requiring every party to separately conduct due diligence studies (unless this is necessary for a very complex project).

We look forward to continuing to engage with the AEMC. Please do not hesitate to contact me if you have any questions on joel.gilmore@iberdrola.com.au or 0411267044.

Regards,

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