

28 September 2023



Mr Ashok Kaniyal
Project Leader
Australian Energy Market Commission

Submitted electronically at: www.aemc.gov.au/contact-us/lodge-submission

Dear Mr Kaniyal

**Stanwell Corporation Limited Response to
Enhancing Investment Certainty in the R1 Process Consultation Paper**

Stanwell Corporation Limited (Stanwell) welcomes the opportunity to respond to the Australian Energy Market Commissions' (AEMC's) Enhancing Investment Certainty in the R1 Process Consultation Paper (Consultation Paper).

Stanwell is a major provider of electricity to Queensland, the National Electricity Market (NEM) and large energy users throughout Australia. We own and operate two coal-fired power stations, providing reliable and affordable energy, with a pipeline of renewable generation and storage technologies to reduce our emissions intensity and create future opportunities for our people and communities. In addition, Stanwell's retail business, Stanwell Energy, services the ongoing energy requirements of some of Australia's biggest industrial and commercial customers along the eastern seaboard of Australia.

This submission contains the views of Stanwell in relation to the Consultation Paper and should not be construed as being indicative or representative of Queensland Government policy.

Introduction

Stanwell agrees there are issues with current R1 process, including lack of clarity of obligations and responsibilities of applicants, the Australian Energy Market Operator (AEMO) and the Network Service Providers (NSPs), insufficient flexibility when determining materiality of deviations from the Generator Performance Standard (GPS), generators being held responsible for external factors beyond their control, and the lack of recourse to appeal assessments.

The lack of clarity about how R1 applications are considered, the potential for extensive rework to satisfy the current binary GPS conformance assessment, the potential for further investment to address deviations from the GPS for reasons beyond the applicant's control and the lack of clarity about the timeframe for R1 assessment can collectively impose considerable additional costs on projects. This can adversely impact both the timing and economics of new projects and the prices at which new projects require in the market to remain viable.

As the Consultation Paper notes, both the amount of generation seeking connection and the lengthy process for approving new applications are resulting in delays to the timely connection and registration of the new generation capacity required to support the transformation of the energy system and the efficient investment in and operation of the generation fleet.

Stanwell commends the Clean Energy Council's (CEC's) work in developing this rule change request through extensive consultation and collaboration as part of the Connections Reform Initiative (CRI). On balance, the proposed changes would likely address identified issues with the current R1 process and ensure stakeholders share the load of improving the timeliness of the R1 process without materially adversely affecting the rigour of the process.

Key Issues

Stanwell supports the changes proposed in the rule change request. Aspects of the rule change that Stanwell believes addresses the key issues with the current R1 process include:

- **Type Categories:** The proposed Type categories provide definition and categorisation of identified issues and a pathway that allows an application to proceed with appropriately scaled rectification efforts if required. Stanwell strongly supports the inclusion of the Type 2 category, which addresses a key issue in the current R1 process by which an approved connection (i.e., a project which has received its 5.3.4.a letter and agreed GPS) is then responsible for rectifying issues resulting from subsequent changes on the network. Stanwell believes responsibility for addressing this eventuality should reside with the NSPs instead of applicants.
- **Timeframes:** The implementation of defined timeframes for R1 process evaluation would provide applicants sufficient certainty about the duration of this phase of the R1 process. The requirements for AEMO and the NSPs to determine whether to accept applicants' self-assessed Type classification within a fixed period would be balanced by the applicants' requirement to extensively engage with AEMO and the NSPs and provide quality, correct data and models to resolve issues identified prior to the R1 package submission.
- **Dispute resolution:** Stanwell supports the introduction of a multi-stage dispute resolution framework. A facilitated discussion would provide an initial forum to pragmatically resolve issues identified at the R1 stage. Only in the event that agreement is not reached during facilitated discussion would issues be escalated to an independent engineering process, arbitration or dispute resolution process. Noting the CEC has proposed the facilitated discussions would not have any authority to offer binding resolutions on the applicant, AEMO or NSPs, the success of this stage will depend on all stakeholders entering this process in good faith.

Stanwell appreciate there are some potential concerns that need to be addressed over the course of this rule change process, including:

- **Self-assessment:** Preparation of a self-assessment could be seen as imposing another obligation on the connecting party and only shifts time from the post-submission period to the pre-submission period rather than reducing the overall time for R1 assessment. Stanwell appreciates the proposed suite of R1 modelling and design information will go a long way in addressing these concerns and streamline the self-assessment process and acknowledges there is a role for all stakeholders in improving the certainty and timeliness of the R1 process.
- **Materiality:** Stanwell acknowledges that many small “immaterial” steps can cumulatively result in material deviations from acceptable generator performance, but that is not how non-material deviations are intended to be applied in the R1 process. The introduction of the Type 1 category and the development of a materiality guideline will give all stakeholders confidence that new generator performance is acceptable. The materiality guideline would need to be dynamic to allow it to accommodate both changes in the network and additional learnings of how new plant impacts the network over time.

Stanwell recommends that the following questions be considered and consulted on as part of the Draft Determination:

- **Failure to meet timelines:** What happens if the 20 and 30 day timelines for R1 process evaluation are not met by AEMO and the NSPs? Applicants need certainty in the timelines for the R1 process evaluation, which includes clarity about the consequences and next steps if these timelines are not achieved.
- **Resource requirements:** What are the AEMO and NSPs resource requirements (and the costs associated with those resource requirements) to meet the 20 and 30 day timelines for R1 process evaluation? All rule change proposals need to demonstrate a net benefit, which necessarily means accurately calculating the expected costs and benefits.
- **Intention to lodge:** How much notice would applicants be required to provide AEMO and the NSPs of their intention to lodge R1 paperwork? Would stakeholders negotiate the submission date with AEMO and the NSPs, or must AEMO and the NSPs accept the applicants’ nominated intended lodgement date? What happens if the applicant subsequently does not lodge their R1 package on the intended lodgement date?

Conclusion

Stanwell supports both the intention and substance of the CEC's rule change proposal and commends the CEC on their collaborative approach to developing a solution to identified issues in the current R1 process. Stanwell looks forward to engaging with the AEMC over the course of this rule change process.

Stanwell welcomes the opportunity to further discuss the matters outlined in this submission. Please refer any questions to Evan Jones, Market Regulation Analyst, on 0419 667 908 or to evan.jones@stanwell.com.

Yours sincerely



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