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Thursday, 25 January 2024

Ms Anna Collyer
Chair
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney, NSW 2000

Dear Ms Collyer,

AEMC draft rule determination on improving the workability of the feedback loop

Transgrid welcomes the opportunity to provide a submission to the Australian Energy Market Commission's (AEMC) draft rule determination on improving the workability of the feedback loop.

Transgrid operates and manages the high voltage electricity transmission network in NSW and the ACT, connecting generators, distributors and major end users. Our transmission network is at the heart of the National Electricity Market and is vital to achieving NSW Government net-zero emissions targets, by connecting geographically and technologically diverse, low-cost renewable generation to customers. Transgrid stands ready to partner with the NSW and Commonwealth Governments to deliver this investment, much of which is urgently needed.

Transgrid supports changes to the regulatory framework to addresses workability issues in the feedback loop process to support the timely delivery of major transmission projects. Transgrid notes that the AEMC's draft rule is in line with the Commonwealth's rule change request which, in turn, reflected the feedback loop recommendations in the AEMC's Transmission Review Stage 2 Final Report in October 2022.

Over the course of the past 12 months, Transgrid has raised concerns with the AEMC and other stakeholders on the AEMC's original recommendation. In particular, Transgrid's concern is that the proposed exclusion window may cause delays to transmission projects, which would be to the detriment of customers and the achievement of Australia's emission reduction targets. To address this issue, Transgrid explored an alternative approach to improve the feedback loop process, but the Australian Energy Market Operator (AEMO) did not consider that approach to be workable.

In light of these developments, Transgrid is now proposing an alternative solution to improve the workability of the feedback loop. Through our dialogue with stakeholders, it has become clear that the timing of the feedback loop process is not suited to being codified in the National Electricity Rules (Rules) or Australian Energy Regulator (AER) guidelines given there are a number of factors that may impact them. Furthermore, the AEMC's proposed 40-day timeframe for a feedback loop assessment will be excessive in some instances and lead to unacceptable delays if adopted by AEMO.

To address these issues, we propose:

- The Rules be amended to require transmission network service provider (TNSP) and Australian Energy Market Operator (AEMO) to agree on the timing of the feedback process through an exchange of letters.
- The feedback loop confirmation from AEMO should be required prior to the commencement of the contingent project application process, in accordance with the current Rules. Transgrid notes that the need for concurrent processes principally arises from the exclusion window, which Transgrid considers to be undesirable. In Transgrid's experience, AEMO feedback loop confirmation is essential for stakeholders in the AER contingent project application process. It would be inappropriate, therefore, for the Rules to allow the two processes to run concurrently. Furthermore, the introduction of concurrent processes may inadvertently create project delays, if the feedback loop process does not provide positive confirmation regarding the project costs, capacity and timing.

Transgrid also does not support the AEMC's proposal in its draft rule determination to allow (but not require) the AER to provide guidance on the timing of when Project Assessment Conclusion Reports (PACR) are published. As with the proposed exclusion window for the feedback loop, providing an exclusion window for PACRs would risk causing project delays, which would be contrary to the interests of consumers.

Thank you for the opportunity to provide a submission to the AEMC on this important matter. If you require further information please contact Neil Howes at neil.howes@transgrid.com.au. Transgrid has also contributed to an ENA submission to the AEMC's draft rule determination and supports the views canvassed in that submission.

Yours faithfully



Maryanne Graham
Executive General Manager – Community and Policy