

Transmission access reform TWG #1


26 March 2024

AEMC

Agenda

1	Acknowledgement of country		Jessie Foran
2	Competition protocols		Jessie Foran
3	Welcome and introductions	15 mins	Jessie Foran
4	Transmission access reform update	15 mins	Victoria Mollard
5	Purpose and role of TWG	10 mins	Sebastien Henry
6	April Consultation paper	10 mins	Victoria Mollard
7	Next steps	10 mins	Jessie Foran

ACKNOWLEDGEMENT OF COUNTRY



The AEMC acknowledges and shows respect for the traditional custodians of the many different lands across Australia on which we all live and work. We pay respect to all Elders past and present and the continuing connection of Aboriginal and Torres Strait Islander peoples to Country. The AEMC office is located on the land traditionally owned by the Gadigal people of the Eora nation.

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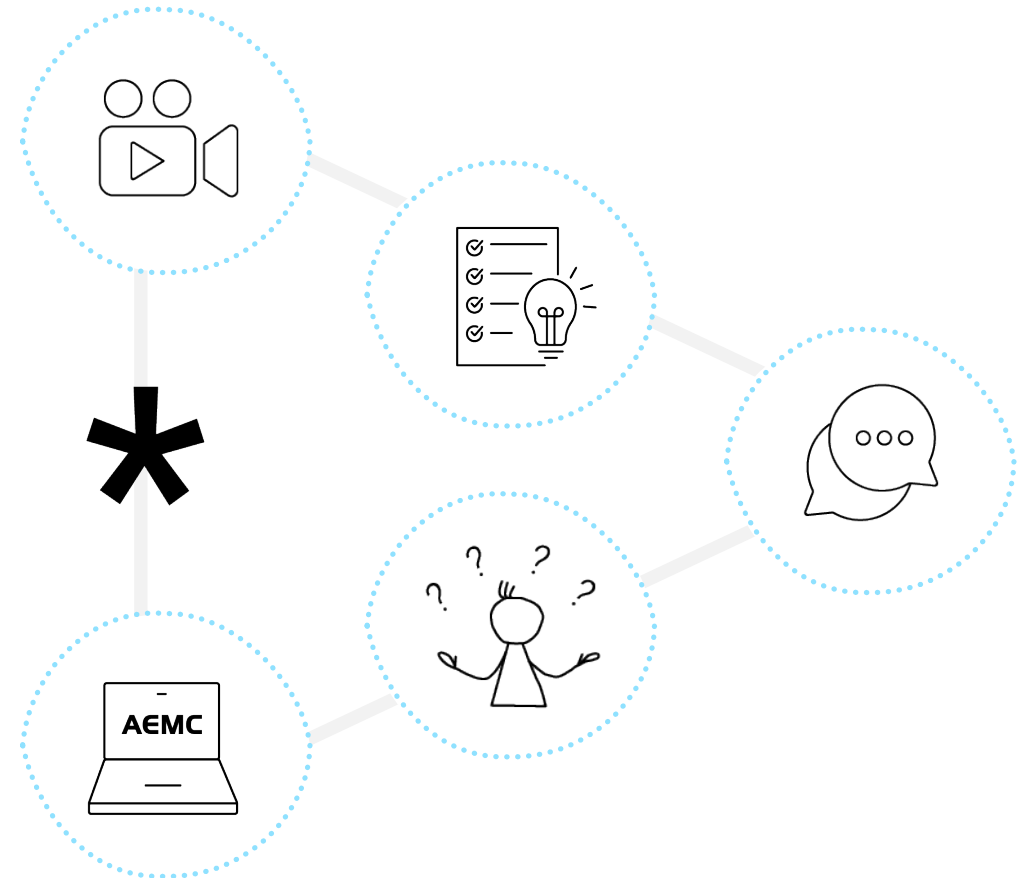


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COMPETITION PROTOCOL

KEY PRINCIPLES



The AEMC is committed to complying with all applicable laws, including the ***Competition and Consumer Act 2010*** (CCA), during this forum. Breaching the CCA can lead to serious penalties for individuals involved in any breach (including large financial penalties and imprisonment for key individuals involved). This protocol governs the way in which discussions will proceed at this forum, and each attendee agrees to adhere to this protocol in order to comply with the CCA.

Each attendee must make an independent and unilateral decision about their commercial positions and approach in relation to the matters under discussion in this forum.

Attendees must not discuss, or reach or give effect to any agreement or understanding which relates to:

- **pricing** for the products and/or services that any attendee supplies or will supply, or the terms on which those products and/or services will be supplied (including discounts, rebates, price methodologies etc)
- **targeting (or not targeting) customers** of a particular kind, or in particular areas
- **tender processes** and whether (or how) they will participate
- any decision by attendees:
 - about the purchase or supply of any products or services that other attendees also buy or sell
 - to not engage with persons or the terms upon which they will engage with such persons (i.e. boycotting); or
 - to deny any person's access to any products, services or inputs they require
- **sharing competitively sensitive information** such as non-publicly available pricing or strategic information including details of customers, suppliers (or the terms on which they do business), volumes, future capacity etc
- **breaching confidentiality obligations** that each attendee owes to third parties.

COMPETITION PROTOCOL

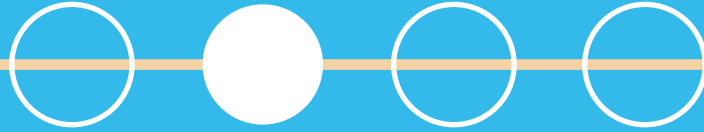
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MEETING GUIDELINES



Attendees must ensure that all communications (including emails and verbal discussions) adhere to the ***Key Principles***.

This forum will be conducted in accordance with the following rules:

- The agenda for this forum does not include anything that could contravene the Key Principles set out in this protocol.
- We will read and minute the below *competition health warning*:
 - Attendees at this forum must not enter into any discussion, activity or conduct that may infringe, on their part or on the part of other attendees, any applicable competition laws. For example, attendees must not discuss, communicate or exchange any commercially sensitive information, including information relating to prices, marketing and advertising strategy, costs and revenues, terms and conditions with third parties, terms of supply or access.
 - Participating in this forum is subject to you having read and understood the protocol including the Key Principles.
- We will keep accurate minutes of the forum, including details of attendees.
- If something comes up during the forum that could risk contravening any competition laws, attendees should:
 - Object immediately and ask for the discussion to be stopped.
 - Ensure the minutes record that the discussion was objected to and stopped.
 - Raise concerns about anything that occurred in the forum with their respective legal counsel immediately afterwards.
- All attendees understand that any competitively sensitive matters must be subject to legal review before any commitment/agreement can be given.
- Any decision about whether, and on what terms, to engage with customers and suppliers is an independent and unilateral decision of each attendee.



Welcome and introductions

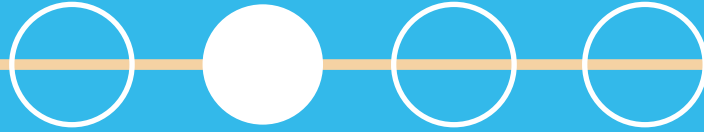
AEMC project team

CONTACT DETAILS – AEMC	
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External consultants	Jessica Scranton, Principal, Scranton legal and advisory Claire Rozyn, Senior consultant, Farrierswier Tom Walker, Director, CEPA Dave Smith, Creative Energy Consulting

TWG member introductions

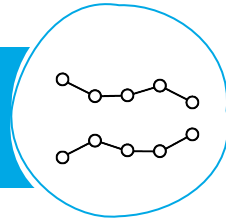


Please introduce yourself including your name and organisation.



Transmission access reform update

Background and context



Feb 2023: Energy Ministers agreed to develop a transmission access reform package. The central part of the package was a hybrid model made up of a voluntary congestion relief market (CRM) and priority access.

Feb-Nov 2023: The Energy Security Board (ESB), developed the hybrid model. This was informed by stakeholder feedback in response to a consultation paper published in May 2023 and as part of a technical working group.

Nov 2023: Ministers agreed to further progress the agreed transmission access reform and congestion management through further design work, having considered advice from the EAP and stakeholder engagement.

Mar 2024: Ministers noted progress on transmission access reform. AEMC published new [terms of reference](#) and a [project plan](#) outlining the steps it will take to further progress design of the hybrid model to best meet the reform objectives.

The AEMC has been asked to report back to Ministers by the end of 2024 with a hybrid model that best meets the reform objectives agreed by EAP.

Review purpose



The purpose of the AEMC's review is to provide final recommendations to Energy Ministers on a design of the hybrid model that best meets the reform objectives.

Key questions



- What is the preferred design of the CRM, including preferred implementation approach?
- What is the preferred design of priority access model, including preferred implementation approach?
- Can we satisfactorily mitigate and/or address stakeholders' key concerns with certain features of the hybrid model?

Status of key upcoming items for consultation

We are working on several key items as part of our planned consultation. You will have opportunities to provide feedback on these items either at TWGs, individual meetings, and/or through public submissions.

1

Consultation paper

We are publishing a consultation paper in April that will outline the work to date from the EAP and the AEMC. Stakeholders will be invited to provide feedback to the consultation paper.

We will be discussing the draft structure of the consultation paper later in this TWG.



2

PPA and financial market interactions

Our advice and views on this will be set out in the consultation paper for your feedback and we are meeting with AFMA to better understand issues.

We are also happy to meet with any of your businesses to discuss anything further.



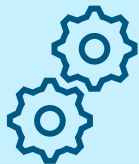
3

Modelling priority access

We have engaged a consultant to model priority access and investigate how it would impact on investment decisions.

This help us understand whether the theoretical benefits of priority access will occur in practice.

We will be discussing this work at a future TWG.



4

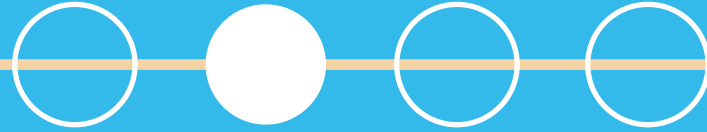
Stylised network model of the reform

We will be developing a stylised network model to be shared with stakeholders.

This will incorporate the hybrid model and be interactable, helping you to understand what the reform would look like.

More information will be provided in a few months.



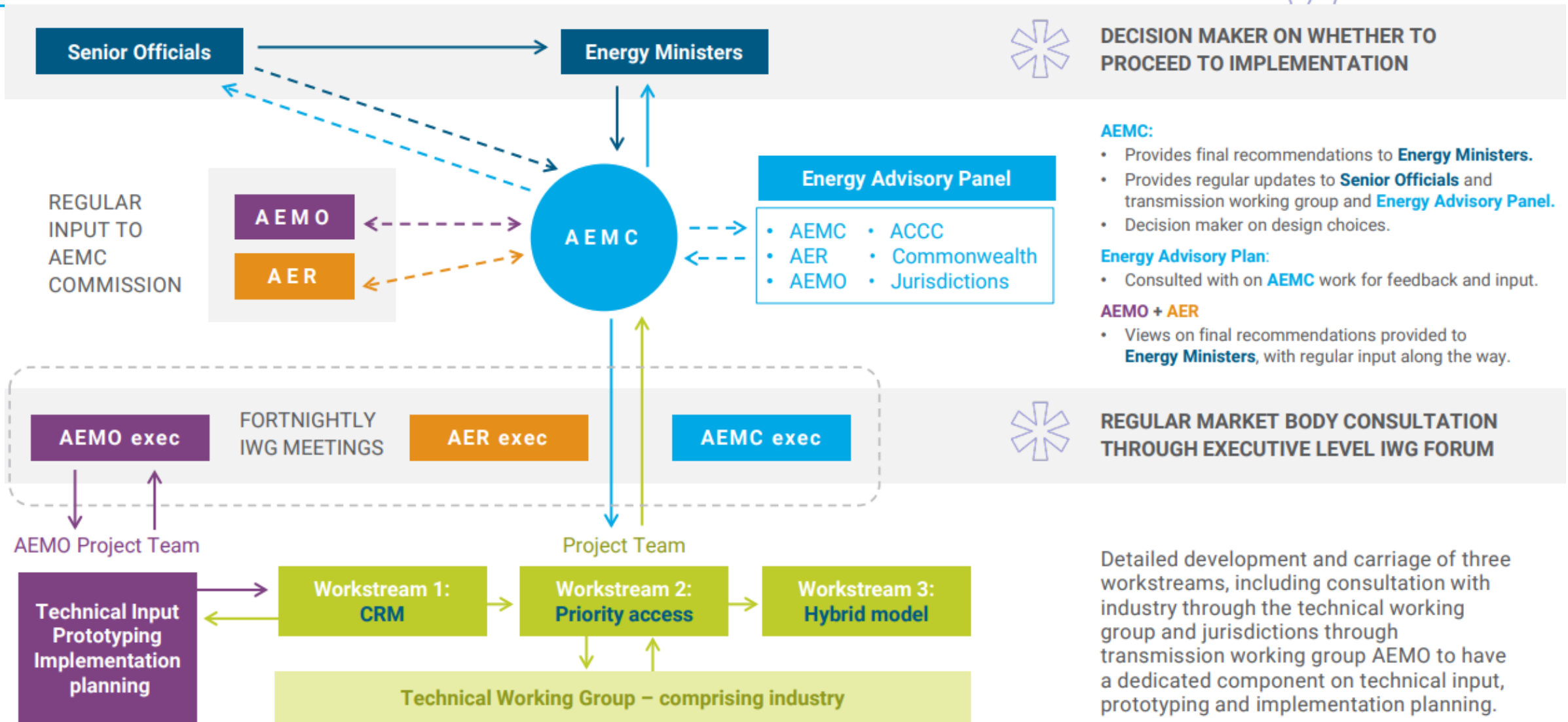


Purpose and role of Technical working group

Governance structure



Role



AEMC:

- Provides final recommendations to **Energy Ministers**.
- Provides regular updates to **Senior Officials** and transmission working group and **Energy Advisory Panel**.
- Decision maker on design choices.

Energy Advisory Plan:

- Consulted with on **AEMC** work for feedback and input.

AEMO + AER

- Views on final recommendations provided to **Energy Ministers**, with regular input along the way.

Detailed development and carriage of three workstreams, including consultation with industry through the technical working group and jurisdictions through transmission working group AEMO to have a dedicated component on technical input, prototyping and implementation planning.

Purpose of the TWG



The TWG will assist the AEMC in progressing the design of the CRM and priority access to form a hybrid model that best meets the reform objectives.

The TWG will provide an additional source of information and analysis to assist the IWG and Commission.

Role of the TWG



The TWG is not a decision-making body and does not replace the AEMC Commissioners in their decision-making role for this review. Instead, the TWG will provide insights to shape the design of solution(s).

TWG members are expected to follow the following principles:

- Be personally accountable to provide informed and evidence-based input;
- Uphold Chatham House rules;
- Engage in collaboration and constructive conflict; and
- Provide input within scope of the rule change and topics provided by the AEMC.

AEMC project team role

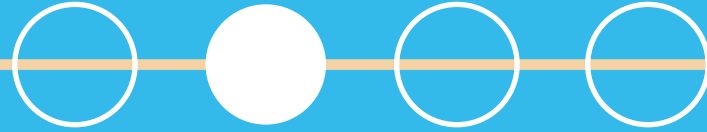


AEMC team will support the operation of the TWG by:

- Setting the agenda and topics
- Providing materials in advance for reading
- Facilitating discussion and debate.

We note that the TWG will be inputting and discussing potential design choices before the AEMC Commission makes decisions.

Therefore, TWG members won't receive fully polished or finished work. You will also be receiving the team's views, not the Commission's.



April consultation paper

Draft structure for the consultation paper

Chapter	Chapter contents
Introduction	<ul style="list-style-type: none">• The AEMC is continuing development the hybrid model for transmission access reform• The forward workplan following the consultation paper
The case for transmission access reform	<ul style="list-style-type: none">• The drivers for reform• The costs and benefits of the hybrid model (seeking feedback on the ESB's CBA)• Relations to other policy mechanisms, such as the Capacity Investment Scheme
Priority access	<ul style="list-style-type: none">• The current preferred design of priority access and any open policy positions• Testing results of priority access• Discussion on whether priority access can be modelled to affect investment decisions
Congestion relief market	<ul style="list-style-type: none">• The current preferred design of the CRM and any open policy positions• The expect benefits of, and participation in, the CRM

Responses to stakeholder feedback to the May 2023 ESB paper will be included throughout where appropriate

Key questions to be resolved in congestion relief market



What is the preferred design of the CRM, including preferred implementation approach?

Question 1 on slide 9

CRM-1

What are the outstanding issues with the existing CRM design and implementation approach (ie based on two sequential dispatches) and how material are these?

Proposed work / areas of investigation

- Are there any unintended consequences of using the RRP (EN), or RRP (CRM)?
- What are the implications of this for the priority access model and the hybrid model more broadly?
- Note: we know the answers to these questions, but this has not yet been shared or tested with stakeholders.

CRM-2

Is there a feasible alternative to implementing the CRM?

Note: the intention is for:

- AEMO to explore the technical feasibility of co-optimising dispatch which may avoid some of the issues present in having two sequential dispatches.
- AEMC to explore the policy implications of progressing a co-optimised dispatch approach to implementing the CRM.

CRM-3

What are the preferred design choices for the CRM, under each implementation approach (assuming the co-optimised dispatch approach is feasible)?

- Under the existing CRM design (where most design decisions have been “locked in”). Outstanding issues include:
 - Whether/how to deal with market power in the physical (ie, CRM) dispatch
- Under a co-optimised dispatch approach (noting that this assumes a positive answer to CRM-2):
 - What constraints should be included in dispatch (eg, FCAS)?
 - Should the two dispatches be tethered?
 - Should interconnectors be clamped in the EN dispatch?
 - Whether/how to prevent the effects of disorderly leaking between the two dispatches, given they are co-optimised?

CRM-4

Which CRM implementation option (if any) best meets the reform objectives?

- Is expected participation in CRM high enough to deliver the expected benefits (and justify the expected costs)?
 - Based on the design, how many/what types of market participants should have an incentive to participant, how readily can they understand and respond to those incentives?
- If the answer to CRM-2 is positive, then consider: What is the expected cost of implementation of a co-optimised dispatch approach? What are the expected benefits of implementing a co-optimised dispatch approach relative to the sequential dispatch approach (particularly in terms of the approach to calculating RRP)?

Key questions to be resolved in priority access



What is the preferred design of priority access model, including preferred implementation approach?

Question 2 on slide 9

PA-1

What options are available for assigning priority levels to generators and REZs?

Proposed work / areas of investigation

Note: Intention is to explore the following options:

- Option 1: Queue based model decided by jurisdictions
- Option 2: Queue based model by time
- Option 3: Hybrid

(This will include exploration of a dynamic grouping approach to allocating priority access)

PA-2

Which priority access allocation option (if any) best addresses the problem of cannibalisation (ie by new entrant generators of incumbent generators access)?

- Using the NEMDE prototype, what are the implications of each priority access allocation option on dispatch outcomes for incumbents and new entrant generators?
 - For a simple constraint(s)?
 - For a more complex constraint(s)?

PA-3

Which priority access allocation option (if any) best meets the reform objectives?

- Will the option support the design of, and enhance the value of, jurisdictional REZ schemes?
- Will the option improve locational signals for new entrants? What impacts will this have on investment?
 - Will new entrant generators be able to model outcomes under prioritisation in a way to meaningfully influence investment decisions?
- Will the option improve the ability of incumbents to manage their congestion risk?
- What are the impacts on the RRP? Are there ways that these impacts can be mitigated?

PA-4

For the priority access allocation options, what are the preferred design choices?

- How long will generators and REZs be allocated priority access (ie what is the duration of access)?
- How will priority access be allocated to incumbents?
- When in the planning/investment process will priority access be allocated to generators and REZs?

Key stakeholder concerns



Can we satisfactorily mitigate and / or address stakeholders' key concerns with certain features of the hybrid model?

Question 3 on slide 9

S-1

Can participants meaningfully model the impact of priority access for new projects in a way that provides more efficient locational signals to investors?

S-2

To what extent to which the inclusion of unpredictable constraints e.g. outage / system strength in priority access create unacceptable risks for participants and, if so, how could this be addressed?

S-3

What are the impacts of the hybrid model on PPAs? Including reopening contracts, and whether maximum generation obligations could result in unintended consequences?

S-4

How will the hybrid model impact the electricity financial market?

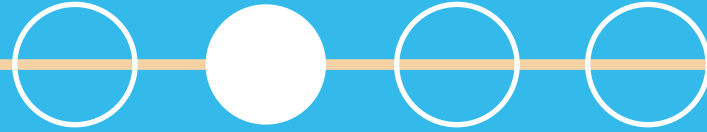
S-5

Risk of priority access being allocated late in a generator's investment and planning process, creating risks for investors.

Proposed work / areas of investigation

- Write up results of test cases for stakeholder consultation in Apr consultation paper to help stakeholders consider how this may impact them and their investment decisions. Intent is to use NEMDE prototype to set out the implications of the allocation option on dispatch outcomes for incumbents and new entrant generators?
 - For a simple constraint(s)?
 - For a more complex constraint(s)?
 - Engage a consultant to provide advice on how this may factor into investment decisions to understand that it provides incentives to locate in REZs, as well as efficient investment outside REZs.
 - Seek to qualitatively test the materiality of this issue e.g. by workshopping with TWG; considering how other reforms may address this issue.
 - Articulate how current technical design has this as a given.
 - Test whether there are model design options that could reduce/mitigate the risk (if found to be material).
-
- Set out AEMC legal advice on PPA issues for consultation in Apr consultation paper.
 - Set up a series of bilateral meetings with key parties to stakeholders to work through specific circumstances.
 - Consider extent to which transitional provisions could mitigate any risks arising with PPAs and interactions with the contract market.
-
- Engage directly with AFMA to better understand concerns and how this might impact them.
 - Set up bilateral meetings with traders at gentailers to understand their concerns and questions.
 - Consider the extent to which transitional provisions could mitigate any risks.
-
- Revisit preferred approach with TWG and set up a series of meetings with AEMO's connections team and key people from the CEC/AEMO connections reform initiative to test the current preferred approach and understand how this is likely to play out in practice.
 - Write up outcomes for broader stakeholder consultation in Apr consultation paper.
 - Consider the extent to which transitional provisions could mitigate any risks.

Relates to PA-2 and PA-3

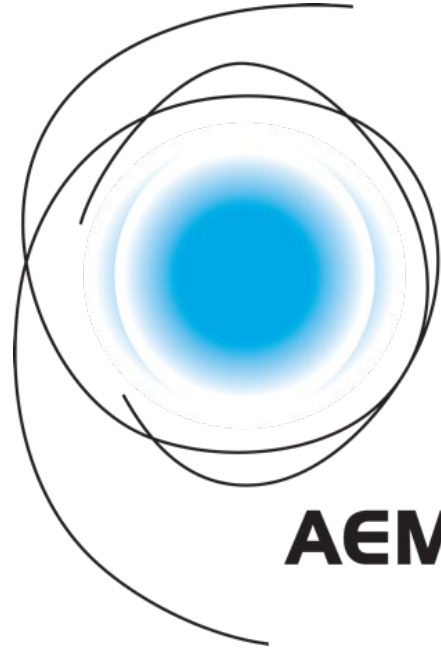


Next steps

Project plan milestones and timeframes

	Q4 2023		Q1 2024			Q2 2024			Q3 2024			Q4 2024		
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Ministerial	3 Nov ESCOG 24 Nov ECMC			XX Feb ECSOG	1 Mar ECMC				5 July ECSOG 19 July ECMC				22 Nov ESOG	6 Dec EMSG
AEMC Deliverables														
Hybrid model		AEMC submits plan / budget to SO		SO approve plan / budget		Publication of paper on draft design on CRM & priority access	Stakeholder consultation	Review submissions			Final Recommendations due to Ministers	Recommendations considered at December EMSG meeting		
CRM (Workstream 1)					Policy development – outstanding issues	Rules mapping	Consultation period	Review submissions Rules mapping	Refinement of policy positions	Refinement of policy positions				
Priority access (Workstream 2)					Policy development – policy issues	Test case results set out in publication	Consultation period Advice from modelling advisory firms	Review submissions	Refinement of policy positions	Refinement of policy positions				
Interlinkages between CRM and PA (Workstream 3)					Comms material developed	Consideration of links between CRM and PA model designs		-		Assessment of the model against objectives				
Stakeholders														
Jurisdictions				ECSOG discussion	Jurisdictional workshops		Jurisdictional workshops		Jurisdictional workshops					
Industry					Technical working group	Technical working group	Formal consultation period	Technical working group	Technical working group					


We are here



AEMC