



Consultation on transmission access reform

We have published a consultation paper on transmission access reform

The Australian Energy Market Commission (AEMC) is progressing design work on a hybrid model for transmission access reform, as agreed by Energy Ministers. The work is underpinned by terms of reference and a project plan published on 7 March 2024.

We are seeking stakeholder feedback on design options outlined in the consultation paper, with submissions due by 6 June 2024.

Energy Ministers agreed to progress work on transmission access reform

At the November 2023 Energy and Climate Change Ministerial Council meeting, Energy Ministers asked the AEMC to continue the ESB's work to reform transmission access and better manage congestion in the NEM.

Energy Ministers recognise that without reforms to transmission access the following problems will continue as the transition to net zero progresses, increasing costs to consumers:

- solar and wind investments will face increased congestion and not be effectively utilised, which may mean emissions reductions from renewable resources are not fully realised
- renewable energy zones (REZs) may be undermined by generators located outside the zone free riding on investments intended for REZ participants
- storage (e.g. batteries) and flexible demand (e.g. hydrogen) will not be rewarded for congestion-alleviating behaviour that benefits customers, and their use case will be diminished
- the value of investment in interconnectors may not be fully realised
- there may be overspend in building additional transmission that customers (or taxpayers) pay for.

The AEMC's review will further progress the ESB's work on transmission access reform, in collaboration with the Australian Energy Regulator (AER) and the Australian Energy Market Operator (AEMO). We will revert to Energy Ministers in September 2024 with final recommendations.

Our consultation paper outlines design options for the preferred transmission access reform model

In 2023, at the request of Energy Ministers, the ESB developed a transmission access reform "hybrid model" to improve investment certainty, operational efficiency and manage congestion in the NEM to deliver lower cost, lower emissions electricity for consumers.

This hybrid model forms the basis of our work, and consists of two components:

- **Priority access:** Originally proposed by the Clean Energy Investor Group, priority access provides locational signals for investment efficiency and enables investors to manage congestion risk more effectively.
- **Congestion relief market (CRM):** Originally proposed by Edify Energy and supported by the Clean Energy Council, the CRM allows for operational efficiency and congestion relief through voluntary incentives for market participants.

Our consultation paper outlines various design options for each component of the hybrid

Stakeholder feedback is encouraged, with submissions due by 6 June 2024.

Stakeholders are also invited to join our technical working group.

model. We are seeking stakeholder views on preferred options, including how participants would be grouped for priority access and which dispatch implementation approach should be used.

The paper also discusses testing and modelling work that has been done to determine whether the reform would have net benefits. This includes a cost-benefit analysis conducted by the ESB in February 2023, which estimated net benefits from the hybrid model at \$2.1-5.9 billion plus 23 million tonnes of emissions reductions valued at \$1.6 billion. It also includes results from prototyping work conducted by AEMO in 2023 to understand potential impacts on dispatch from priority access. Work is currently underway to assess how priority access may impact investor decisions in a practical sense.

Transmission access reform objectives

Our work on transmission access reform is aimed at achieving the four reform objectives developed by the ESB in consultation with stakeholders and agreed by Energy Ministers:

1. **Investment efficiency:** Better long-term signals for market participants to locate in areas where they can provide the most benefit to consumers, taking into account the impact on overall congestion.
2. **Manage access risk:** Establish a level playing field that balances investor risk with the continued promotion of new entry that contributes to effective competition in the long-term interests of consumers.
3. **Operational efficiency:** Remove incentives for non cost reflective bidding to promote better use of the network in operational timeframes, resulting in more efficient dispatch outcomes and lower costs for consumers.
4. **Incentivise congestion relief:** Create incentives for demand side and two-way technologies to locate where they are needed most and operate in ways that benefit the broader system.

Forward process

Stakeholder feedback will be crucial to informing and shaping our recommendations to Energy Ministers in September 2024.

Written submissions to this consultation paper are due by **6 June 2024**. There are also options to provide feedback through one-on-one discussions or industry briefing sessions.

Stakeholders are also invited to participate in our technical working group. The member list, meeting papers and minutes are published on our project page. If you are not already a member and would like to join the technical working group, please contact the project team.

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