AEMC

# Transmission access reform

## Stakeholder feedback template

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in the consultation paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to assist it to consider the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper.

## SUBMITTER DETAILS


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| **DATE** | 06 June 2024 |


## PROJECT DETAILS

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| **NAME OF REVIEW:** | **Transmission access reform** |
| **PROJECT CODE:** | **EPR0098** |
| **SUBMISSION DUE DATE:** | **6 June 2024** |

# CONSULTATION QUESTIONS

## Testing and modelling the hybrid model

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| **Question 1: Feedback on cost benefit analysis conducted in 2023**<br>What are stakeholder views on the assumptions used in the CBA? | We disagree with the basis of the analysis that overbuild need be eliminated for the benefit of incumbent generators.<br><br>The long term trend in lowering costs of new renewable projects will result in curtailment of legacy projects and this is not necessarily a poor market outcome. Lower cost new generators should have ready access to the market.<br><br>Under the current market design significant market location signals exist to show prudent investors and developers where overbuild risks exist and how to manage this without providing priority access rights to incumbent generators.<br><br>A level of overbuild curtailment can result in an efficient market. The proposed priority access scheme will distort existing economic signals which have been used by prudent developers and investors over many years to develop and build renewable energy projects. In our view priority access for existing generators, and REZ projects, will create an artificial barrier to new entrant generators at a time where significant investment for new projects is required both within and outside of REZs.<br><br>The inherent assumption in the analysis seems to be the protection of incumbent generators and the analysis seems to be framed in this way. We do not see a need for Priority Access. NEM access arrangements are currently open access arrangements and we believe this should remain.<br><br>We agree that a voluntary congestion relief market would provide an improvement to the system. Given the current market outlook which shows significant development of Battery Energy Storage Systems across the network a voluntary congestion relief market would provide a simple and effective way of addressing congestion.<br><br>With regards to specific comments in the report<br><br>*'REZs may be undermined by generators located outside the zone, free riding on investments intended for REZ participants.'*<br><br>Given the scale of the energy transition renewable energy projects will be required both inside and outside of REZs. Generators outside of the REZ should not be penalised by giving REZ project preferential access to the shared, open access network. Investors and developers have interests in both REZ and non-REZ projects. |

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| | *'Priority access also provides a clear mechanism to support the delivery of REZs. Priority access can be reserved for REZs, to support the coordination of generation and transmission investments. It also can protect REZ generators from the financial impact of congestion caused by generators located outside the zone (and free-riding on investments intended for REZ participants). It enables us to use the REZ developments and associated resources effectively and minimise costs for consumers.'*<br><br>Generators inside the REZ have only ever been entitled to network augmentation and de-congested accesses within the REZ not a free run to the entire open access market. The REZs should not be free-riding on the entirely of the wider network, the existing infrastructure, historically announced augmentation and ongoing development.<br><br>Priority access undermines the fundamentals of an open access network.<br><br>*'Storage (e.g. batteries) and flexible demand (e.g. hydrogen) will not be rewarded for congestion-alleviating behaviour that benefit customers, and their use case will be diminished'*<br><br>We support the voluntary congestion relief market to address this point |
| **Question 2: Feedback on prototyping**<br>What are stakeholder views on the result of the prototyping analysis? Is there any additional analysis that would be useful? | As Per our response to Question 1 – we do not believe the market should move in the direction of priority access. We are supportive of a voluntary congestion relief market. |
| **Question 3: Feedback on modelling the hybrid model**<br>Noting that this work is still being completed, do stakeholders have any initial views on how modelling priority access would impact investment decisions? | As Per our response to Question 1 – we do not believe the market should move in the direction of priority access at all. We would support a voluntary Congestion Relief Market. |

## Assessment of key model options

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| **Question 4: Assessment of priority access allocation models**<br>Each model option outlined in this section addresses the problem | We fundamentally do not support any Priority Access mechanism. The NEM is and should remain an open access market and we would be supportive of a voluntary Congestion Relief Market only. |

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| and reform objectives to different degrees.<br>Which model option do you prefer and why? | |
| **Question 5: Assessment of CRM implementation approaches**<br>What are the relative advantages and disadvantages of each design?<br>Do stakeholders have a preferred design and if so, why? | We would support voluntary CRM |

## Key stakeholder concerns

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| **Question 6: Feedback on impact of the hybrid model on PPAs?**<br>What are stakeholder views on the observations and AEMC initial views regarding impacts of the hybrid model on PPAs? | Generators benefiting from priority access would have an unfair advantage in the PPA market and an ability to take higher risk PPAs positions on delivery of volume given certainty of access to market. This would be unfairly punitive on new entrants who would not have this access ability and taking higher risk positions on volume delivery and as such increase cost of capital for new entrants.<br><br>We believe in having a single market for all participants. |
| **Question 7: Feedback on impacts of the hybrid model on financial markets**<br>What are stakeholder views on the impacts of the hybrid model on financial markets? Specifically:<br>• How the proposed access model, or particular aspect(s) of the model, may impact their ability to manage price risk in the market?<br>• The subsequent impact that a reduced ability to manage price risk may then have on participants' hedging costs. | As per our response to question 6<br><br>We do not see Priority Access in any form to be beneficial other than for incumbent generators. Given the scale of investment required and number of new projects to be built to displace the current aging coal fleet we do not see these reforms as helpful on reducing market risk. |
| **Question 8: Feedback on wide-reaching constraints**<br>Do stakeholders consider that priority access could increase investment risk due to wide-reaching constraints?<br>Do stakeholders consider that there is value in implementing the dynamic grouping option for priority access to mitigate this concern? | We believe priority access could increase investment risk for new projects<br><br>We believe dynamic grouping would unfairly prejudice later projects. |

## Detailed design questions

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| **Question 9: Feedback on detailed priority access design choices**<br>What are stakeholder views on the detailed priority access design questions and the AEMC's preferred positions? | We would not support any priority access mechanism as we believe it cuts across the NEO<br><br>The market can determine through existing market signals sensible locations and timing for new generation and storage assets. |
| **Question 10: Feedback on detailed CRM design choices**<br>Do stakeholders have further views on the detailed design choices for the CRM that were explored by the ESB? Are these views related to a preference for a two-step or co-optimised implementation approach discussed in Chapter 5?<br>What are stakeholder views on tethering, including the relative advantages and disadvantages of each design and any preference? | A CRM would be a useful tool for all existing and new generators to efficiently utilise the large pipeline of storage assets coming to market.<br><br>We do not believe any form of priority access is necessary in an open access market such as the NEM. |

## Other comments

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| Information on additional issues | |