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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PROJECT DETAILS

NAME OF REVIEW:	**Transmission access reform**
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Energy Consumers Australia considers Transmission Access Reform a critical policy for Australia. The fundamental challenge of reforming the rules governing access to the transmission system and its importance in the energy transition was first identified by the COAG Energy Council in 2016, and for the following eight years we have participated in an on-going policy debate.

We know that the current approach of allocating access to transmission is unfair and inefficient. It leads to higher costs for consumers – and government.

We know that fundamental reforms to transmission access will deliver significant benefits to consumers – estimated at $3.5 billlion to $7.5 billion for implementing the hybrid model.

We know that broader market forces continue to make transmission more expensive to build and more difficult to site, underscoring the need for any reform that allows us to use the transmission network more efficiently.

We know that other approaches to reforming transmission access – which are well-proven overseas and offer greater consumer benefits – have been dismissed due to industry objections.

We know that the National Electricity Objective compels market bodies to "to promote efficient investment in, and efficient operation and use of [the transmission network] for the long term interests of consumers of electricity."

We know that the Market Commission and Market Operator are dedicated to this reform, and we applaud their continued efforts to identify a model that strikes a workable balance for the myriad interests engaged in this reform process.

We know that the hybrid model can deliver significant benefits to consumers and can be designed in a way that addresses industry's legitimate concerns.

In that spirit, we share our perspective on the consultation questions raised.

CONSULTATION QUESTIONS

Testing and modelling the hybrid model

Question 1: Feedback on cost benefit analysis conducted in 2023 What are stakeholder views on the assumptions used in the CBA?	Energy Consumers Australia agrees with views of government officials that additional cost-benefit analysis is not necessary. As one would expect, incentives for locating in more optimal areas of the transmission network and operating storage and other flexible plant to reflect the physical limitations of the network have significant consumer benefits. The most recent CBA – and all previous CBAs conducted under the broad, multi-year process to reform transmission access – show significant consumer benefits from reform. Additional analysis is unlikely to demonstrate anything new.
Question 2: Feedback on prototyping What are stakeholder views on the result of the prototyping analysis? Is there any additional analysis that would be useful?	The AEMC needs to be pragmatic in the implementation of this reform: design decisions should be driven by the ability to implement reforms that achieve the reform objectives, while including provisions to monitor and assess and improve the nature of the detailed design in the future if real-life circumstances and outcomes dictate. In other words, aim for a "minimal viable product" of Transmission Access Reform with opportunities to improve the design in the future based on clear milestones and analysis of real-life outcomes. The application of this approach to the question about prototyping and "hard" or "soft" priority access indicates that the form of priority

	access that is simplest to implement and least likely to create unintended consequences should be pursued.
Question 3: Feedback on modelling the hybrid model Noting that this work is still being completed, do stakeholders have any initial views on how modelling priority access would impact investment decisions?	Our only suggestion on the modelling would be for the consultants to include significant investor outreach before and during their evaluation to ensure the inputs and outputs of the modelling align with reasonable expectations, or where they differe, there is a clear and documented rationale for doing so.

Assessment of key model options

Question 4: Assessment of priority access allocation models Each model option outlined in this section addresses the problem and reform objectives to different degrees. Which model option do you prefer and why?	Option 1 – "grouping by time window" and Option 2 – "grouping by time window REZ option" appear to be the most suitable options. They are simple to implement and provide the appropriate levels of incentive for developers to make decisions that support the long-term sustainability of an efficient transmission system. Providing additional benefits to generators connecting within Renewable Energy Zones, as in Option 2, likely makes sense given the structure of those programs, their centrality in meeting carbon abatement targets, and the amount of funding consumers are putting into REZs, including the new transmission network for them.
Question 5: Assessment of CRM implementation approaches What are the relative advantages and disadvantages of each design? Do stakeholders have a preferred design and if so, why?	There are reasons to prefer either the "two-step" model or the "co-optimized"model. Energy Consumers do not have a specific opinion about the issue, though note that we believe the AEMC should aim for a "minimal viable product" of Transmission Access Reform with opportunities to improve the design in the future based on clear milestones and analysis of real-life outcomes. We would also note that many rule changes affecting the energy market do not involve this high degree of design specificity and leave AEMO some discretion to implement the design. It may be useful for the AEMC and EAP to identify a clear threshold where design decisions will be given to AEMO with discretion to vary to facilitate implementation if and when Ministers approve a rule change.

Key stakeholder concerns

Question 6: Feedback on impact of the hybrid model on PPAs? What are stakeholder views on the observations and AEMC initial views regarding impacts of the hybrid model on PPAs?	Transmission Access Reform can be effectively designed and delivered with minimal impacts on existing PPAs, particularly given the amount of time it has taken to develop and will still take to implement the reform. The prospect of Transmission Access Reform – and more impactful variants of it than the Hybrid Model – have been an active part of AEMC policy discussion for nearly a decade. Parties to a PPA could have reasonably expected meaningful policy reform impacting the underlying structure coming from Transmission Access Reform. The impact of

Question 7: Feedback on impacts of the hybrid model on financial markets What are stakeholder views on the impacts of the hybrid model on financial markets? Specifically: • How the proposed access model, or particular aspect(s) of the model, may impact their ability to manage price risk in the market? • The subsequent impact that a reduced ability to manage price risk may then have on participants' hedging costs.	The responses from stakeholders seem to suggest that a voluntary Congestion Relief Market introduces too much uncertainty in pricing outcomes for generators and increases risk in the contract market. Energy Consumers Australia has long preferred a mandatory approach to the Congestion Relief Market, whichwould address the impacts on the financial market. If the potential impacts of a voluntary CRM on financial markets are too severe to countenance, the AEMC should re-visit making the CRM mandatory and ask industry which approach they prefer.
Question 8: Feedback on wide-reaching constraints Do stakeholders consider that priority access could increase investment risk due to wide-reaching constraints? Do stakeholders consider that there is value in implementing the dynamic grouping option for priority access to mitigate this concern?	We agree with the AEMC that the materiality of the impact of "wide-reaching constraints" needs to be identified. If these "unmanageable" constraints do present a material risk to the viability of new generators, then it is reasonable for the design to take this impact into account. While the Commission states that excluding the constraints is unlikely to be feasible outside of a dynamic grouping model, it may be possible to create a "unique event" exception for times during which "wide-reaching constraints" bind. During "unique events," revenues could be shared in predictable, fair ways that aim to share the impact of these constraints on impacted generators equally.

Detailed design questions

Question 9: Feedback on detailed priority access design choices What are stakeholder views on the detailed priority access design questions and the AEMC's preferred positions?	We do not have strong views on the detailed questions outlined as we perceive them to largely involve costs on certain market participants that equate to benefits for others. We encourage the AEMC to identify any solutions that have a materially better impact on consumers and pursue those. If the impacts on consumers are not meaningful in any direction, a fair compromise between new and existing generators seems best, so long as it appropriately considers the importance of greenhouse gas emissions within the National Electricity Ojective.
Question 10: Feedback on detailed CRM design choices 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? What are stakeholder views on tethering, including the relative	We do not have strong views on the detailed questions outlined as we perceive them to largely involve costs on certain market participants that equate to benefits for others. We encourage the AEMC to identify any solutions that have a materially better impact on consumers and pursue those. If the impacts on consumers are not meaningful in any direction, a fair compromise between new and existing generators seems best, so long as it appropriately considers the importance of greenhouse gas emissions within the National Electricity Ojective.

advantages and disadvantages of each design and any preference?	

Other comments

Information on additional issues	Given the extensive time it has taken to progress the reform to the current point, it would be helpful if the AEMC could note where certain topics have been resolved, and which ones are open. It often feels on Transmission Access Reform that everytime one one choice is selected – for example, a voluntary Congestion Relief Market – another 3-4 emerge. Even where final decisions have been made – like government officials saying they do not see the need for additional cost-benefit analysis – the Commission continues to seek feedback and commentary. Having a complete and running record of decisions made and decisions open can help all stakeholders understand what has been decided and what remains, and help us collectively come to a landing within the Commission's timeframe.