



6 June 2024

Australian Energy Market Commission
Level 15/60 Castlereagh St,
Sydney NSW 2000

To whom it may concern,

EPR0098 | Market Review Submission | Transmission Access Reform

Edify Energy (**Edify**) is pleased to make this consultation response to the Australian Energy Market Commission's (**AEMC**) 2024 Transmission Access Reform Project. We note that we are making a limited submission, addressing only a subset of questions, along with more general commentary on the reform direction.

Question 10: Feedback on detailed CRM design choices

We believe that the recent hybrid model put forward in the consultation paper is departing from the intent of the Congestion Relief Market (**CRM**) and is once again introducing issues that were present in unsuccessful reform attempts, including sector-wide Locational Marginal Pricing (**LMP**). In particular, the CRM has departed in two material ways:

- It is proposing a material change to the formulation of the Regional Reference Price (**RRP**); and
- It is coupled to the Priority Access reform.

The initial intent of the CRM was to introduce a strictly voluntary market mechanism that was as 'light touch' as possible and specifically aimed at relieving congestion, whilst minimising impacts on other markets, systems and processes. Maintaining the status quo on the formulation of the RRP for all energy that sits outside of the CRM is of the utmost importance, as it is the key price signal integrating the NEM with financial markets. Co-optimising CRM with energy proposes to amend the RRP based on outcomes in the CRM, which cuts across the intended strictly voluntary nature of the CRM. The voluntary nature of the CRM can only be achieved if separation between markets is maintained.

Edify believes the hybrid model should revert to a sequential dispatch CRM, where the initial dispatch run results in the status quo formulation of the RRP and dispatch, and the subsequent run results in CRM prices and dispatch. The advantages of this model include:

- It minimises changes to the broader energy market, which is consistent with the voluntary intent of the CRM and will serve to improve acceptance of its introduction;
- It replicates existing market system and processes; and
- It provides clear locational signals for congestion, delineated from the broader energy market.

Edify would also prefer to see a decoupling of the CRM with Priority Access, where pursuing each reform individually will assist in evaluating the relative market benefits of each, permit advances of one reform area in the event the other is delayed, whilst also pursuing different threshold questions regarding the effectiveness of each reform.



Question 1: Feedback on cost benefit analysis conducted in 2023

Edify is otherwise of the view that the ‘avoidance of cannibalisation’ value ascribed to Priority Access is likely overstated, as it relies on an assumption of irrational behaviour from project developers, investors and PPA counterparties. We believe that it is unlikely that all stakeholders would knowingly continue to develop projects into obviously congested areas, as modelling thus far has assumed. Rather, AEMO’s new Enhanced Locational Information (**ELI**) report will be made available to all sector participants, such that they are better aware of the magnitude and nature of constraints across all areas of the network, and associated implications to different project classes, which is a less intrusive means (and consistent with open access principles) to address the fundamental concern that Priority Access is seeking to resolve.

Question 6: Feedback on impact of the hybrid model on PPAs

Edify’s view is that the concerns cited around the impact on pre-existing PPAs and how this may cut across the voluntary intent of the CRM may be overstated.

In Edify’s experience negotiating such contracts, including those that contain obligations to maximise generation, there will typically be clauses related to changes or disruptions to prevailing market conditions or change in law. These clauses are usually coupled with a requirement for the parties to negotiate with an objective to leave both parties in an equivalent position to before the change. The CRM would likely trigger such clauses, thereby opening the opportunity for parties to work together to decide the best approach to participating in the CRM. Notwithstanding the presence or otherwise of market change / disruption and / or change in law clauses within PPAs, Edify is also of the view (based on its experience) that generators and offtakers will typically reasonably work together as circumstances arise that were not contemplated at the time of contract negotiation to leave each other in an equivalent position, giving regard to each party’s concerns.

We anticipate that future discussions between generators and offtakers concerning the introduction of the CRM may recognise the following:

- Prior to the introduction of the CRM, the generation that could be released via the CRM would have been curtailed, which is relevant in the context of leaving parties in an equivalent position (i.e. the fallback position is there is no participation in the CRM, notwithstanding obligations to maximise generation); and
- There is opportunity for mutual gain to both generator and offtaker, where:
 - The generator should stand to generate more than in the absence of the CRM, which under a fixed / floating swap arrangement would result in greater fixed price revenues (noting that the reference floating price for generation released via the CRM should reasonably be determined to be at the local CRM price, not the RRN price);
 - The offtaker may be able to state preferences around break-even prices for submitting bids (for congestion relief) into the CRM, such that the floating price received by the offtaker for generation released via the CRM is commensurate with a beneficial position to the offtaker; and
 - There will be greater LGC creation under the CRM, which will likely be attributable to one party, subject to the nature of the contract.



We encourage the AEMC to work collaboratively with industry bodies and stakeholders in addressing concerns. If the AEMC's core thesis regarding increasing levels of congestion comes to fruition, there will be a time and place for congestion relief.

Your sincerely,

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