

6 June 2024

Ms Jessie Foran
Senior Advisor, AEMC
Submitted online at: www.aemc.gov.au

Dear Ms Foran

TRANSMISSION ACCESS REFORM CONSULTATION PAPER (EPR0098)

CleanCo Queensland appreciates the opportunity to provide a submission to the Australian Energy Market Commission's (AEMC) Transmission Access Reform (TAR) Consultation Paper.

CleanCo was established by the Queensland Government in 2018. We own and operate a portfolio of flexible, responsive energy generation assets and support the development of new clean energy assets. We offer renewable energy, firmed with our portfolio to deliver competitive clean energy products that are tailored to our customers' individual needs.

Overall comments

Network congestion and associated curtailment of generation are important issues to address as Australia's energy market moves to incorporate higher levels of renewable energy. CleanCo notes that the work on these issues by the Energy Security Board (ESB) clearly recognised that some level of congestion is expected in the market but without action to address it, congestion could increase in the future.

CleanCo is delivering a portfolio of renewable energy and firming generation and has a clear interest in preserving the commercial viability of these investments. We understand that congestion and associated curtailment risk needs to be factored into the commercial assessment of these projects but support the principle that investors should have some certainty about their access to the network and likely level of curtailment.

There are a range of policies and initiatives that seek to address these issues and the business-as-usual position that exists in the market is not the same as when the ESB commenced its work.

From a commercial perspective, the industry has evolved and learned a range of lessons about where to locate projects to reduce curtailment risk. There is also an increasing focus on providing locational signals and augmenting the network to increase its capacity to connect new projects, including through the Integrated System Plan and the Connections Reform Initiative. In addition, jurisdictions are developing individual Renewable Energy Zone (REZ) frameworks and associated access arrangements, which seek to establish forms of controlled access. Given the progress of these activities, it is preferable to let them play out in the short to medium term.

We also urge caution about proceeding with additional and likely complex changes to the market at this stage. Government and industry will consider long-term market design issues as part of the post-2030 National Electricity Market reform work and transmission access, the role of REZs and other associated issues should be integrated as part of this broader suite of work.

Feedback on design options

Despite these reservations, CleanCo recognises that the AEMC has been tasked with developing a package of proposals and solutions to present to Ministers in the coming months. Within this context, we are keen to provide constructive feedback on the design features and options. This is summarised below, with feedback on specific questions included in Attachment A.

Testing and modelling the hybrid model

CleanCo has concerns that the Cost Benefit Analysis undertaken by the ESB does not provide a contemporary assessment of the model being proposed by the AEMC and we support the conducting of an updated CBA to give a more accurate picture to support decisions by Ministers. Primarily, we are concerned that the benefits are being compared to a “do nothing” scenario, when there are a range of actions and policies that are already aimed at addressing the problem.

While CleanCo recognises the challenges of prototyping the Priority Access model, the prototyping was undertaken in a simplified version of market conditions but has produced a wide range of outcomes. While we note the general direction of outcomes, there was a significant level of counter-intuitive results. Given this, it would be difficult to meaningfully model priority access as part of our decision-making process and it would generally increase the level of uncertainty around investment decisions.

Model options

CleanCo agrees with the AEMC that Priority Access Option 1 is the preferred option as it best meets the objective of providing investment certainty. This model provides investors with the greatest clarity of their position in the access queue over the life of a project. Of the other options, Option 2 is manageable but less preferable to Option 1 as it introduces extra risk for projects that may not be located in a REZ.

Regarding the Congestion Relief Market (CRM), our preference would be to move back towards the CRM in its original design as a voluntary bilateral ancillary market. We believe that factoring the CRM into the dispatch process will introduce additional complexity and unintended consequences into dispatch optimisation.

Of the options proposed by the AEMC, the two-stage dispatch approach is preferred to co-optimised dispatch. While we agree with the AEMC on the limitations of the two-stage model, the co-optimised dispatch approach offers a higher level of complexity and moves further away from the voluntary model that was originally proposed.

CleanCo welcomes this chance to contribute to the ongoing discussion on the future of Australia’s energy market. If you would like to discuss this submission further, please contact feel free to contact me via email andrew.burnett@cleancoqld.com.au or on 0429 800 612.

Yours sincerely,



Andrew Burnett

Principal Advisor – Regulatory
CleanCo Queensland

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 06/06/2024

PROJECT DETAILS

NAME OF REVIEW: Transmission access reform

PROJECT CODE: EPR0098

SUBMISSION DUE DATE: 6 June 2024

CONSULTATION QUESTIONS

Testing and modelling the hybrid model

<p>Question 1: Feedback on cost benefit analysis conducted in 2023</p> <p>What are stakeholder views on the assumptions used in the CBA?</p>	<ul style="list-style-type: none"> CleanCo believes the assumptions do not accurately capture the suite of incoming locational signals in the base case. Additionally, CleanCo feels that the previous ESB's 2023 CBA is not fit for purpose as a guide for the current proposal. We support an updated CBA that incorporates the specifics of the current proposal and provides a more accurate counterfactual.
<p>Question 2: Feedback on prototyping</p> <p>What are stakeholder views on the result of the prototyping analysis? Is there any additional analysis that would be useful?</p>	<ul style="list-style-type: none"> CleanCo appreciates that the AEMC is working with AEMO to test and prototype the reforms and that this is not a simple task. The prototyping of the priority access produced a wide range of results, and the degree of unexpected results in simplified conditions suggests further testing and analysis is required to unpack the variance.
<p>Question 3: Feedback on modelling the hybrid model</p> <p>Noting that this work is still being completed, do stakeholders have any initial views on how modelling priority access would impact investment decisions?</p>	<ul style="list-style-type: none"> The hybrid model will be difficult to model as part of investment decisions for future renewable energy projects. This modeling may be possible but is likely to be complicated and expensive. If AEMO prototyping demonstrated reliable results, the cost might be justified as part of the overall value proposition. However, current uncertainty around the prototyping results reduces our confidence in how such modelling could be factored into future investment decisions.

Assessment of key model options

<p>Question 4: Assessment of priority access allocation models</p> <p>Each model option outlined in this section addresses the problem and reform objectives to different degrees.</p> <p>Which model option do you prefer and why?</p>	<ul style="list-style-type: none"> Out of the options presented, CleanCo supports the implementation of Option 1. This will present least disruption to existing market process and provide the greatest level of certainty to investors. We believe Options 2 and 3 have the potential to undermine investor confidence if they believe access (and investments) are subject to preferential treatment outside of neutral market processes. Option 4 needs further analysis before it can be considered meaningfully but appears to be the most complicated approach.
<p>Question 5: Assessment of CRM implementation approaches</p> <p>What are the relative advantages and disadvantages of each design?</p> <p>Do stakeholders have a preferred design and if so, why?</p>	<ul style="list-style-type: none"> CleanCo believes the CRM should be implemented as an opt-in bilateral ancillary market and should not be incorporated into the market dispatch process. Out of the options presented by the AEMC, CleanCo supports the two-stage dispatch over the co-optimisation dispatch as we believe this provides greater price discovery, while the co-optimised approach moves further away from a voluntary model.

Key stakeholder concerns

<p>Question 6: Feedback on impact of the hybrid model on PPAs?</p> <p>What are stakeholder views on the observations and AEMC initial views regarding impacts of the hybrid model on PPAs?</p>	<ul style="list-style-type: none"> •
<p>Question 7: Feedback on impacts of the hybrid model on financial markets</p> <p>What are stakeholder views on the impacts of the hybrid model on financial markets? Specifically:</p> <ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> •
<p>Question 8: Feedback on wide-reaching constraints</p> <p>Do stakeholders consider that priority access could increase investment risk due to wide-reaching constraints?</p> <p>Do stakeholders consider that there is value in implementing the dynamic grouping option for priority access to mitigate this concern?</p>	

Detailed design questions

<p>Question 9: Feedback on detailed priority access design choices</p> <p>What are stakeholder views on the detailed priority access design questions and the AEMC's preferred positions?</p>	
<p>Question 10: Feedback on detailed CRM design choices</p> <p>Do stakeholders have further views on the detailed design choices for the CRM that were explored by the ESB? Are these</p>	

<p>views related to a preference for a two-step or co-optimised implementation approach discussed in Chapter 5?</p> <p>What are stakeholder views on tethering, including the relative advantages and disadvantages of each design and any preference?</p>	
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Other comments

Information on additional issues	
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