Industry stakeholder feedback guide – Transmission Access reform

RE - AEMC Consultation Paper - Transmission Access reform – April 2024 EPR0098

The AEMC has published a Stakeholder Feedback Template alongside the consultation paper for the Transmission Access Reform project.

The AEMC's list of consultation questions laid out in the template represent a good start. However, it is critical that detailed industry perspectives are drawn out, particularly as these relate to the material issues identified over the last few years of stakeholder consultation.

This document draws out those detailed issues and is intended to complement the AEMC's feedback template. Questions have been prepared by a group of industry participants who have had extensive experience in the development of the TAR process. They are intended to add to the depth and quality of stakeholder feedback to the AEMC's processes.

Stakeholders are invited to amend or add to this document as they see fit – it is intended as a guide only and is not an exhaustive description of all the issues. Stakeholders are also welcome to use this template as the basis of their submission, recognising that AEMC questions and industry questions have been purposefully separated.

Submissions are to be lodged via the AEMC's website by **6 June 2024**.

SUBMITTER DETAILS

ORGANISATION: Iberdrola Australia

CONTACT NAME: Joel Gilmore

EMAIL: joel.gilmore@iberdrola.com.au

PHONE: 0411267044

DATE: 2024-06-06

SUMMARY:

- In our previous submissions, we supported the AEMC undertaking further analysis on the two components of the hybrid model – Priority Access and the Congestion Relief Market.
- Based on the subsequent analysis and more detailed consideration of the models by the AEMC, Iberdrola Australia does not support the implementation of the proposed hybrid model. This is due to the higher costs and risks to consumers resulting from the significant distortion of the energy market, higher cost of new generation leading to higher marginal prices, and reduced transmission line utilisation (well below normal line limit ratings). This is inconsistent with the price, reliability, and emissions limbs of the NEO.

- We consider that the potential issues raised by the AEMC have already been largely addressed by jurisdictions:
    - REZs provide a framework for developing new transmission
    - REZ access rights prevent the "rate of change" challenges that come from investors seeking access to limited resources, and support investment through (soft) limits on congestion in exchange for access charges.
    - New South Wales, Victoria, and Queensland have already implemented "quarantining" processes to minimise additional downstream congestion. (Although we note that downstream congestion still means new renewable generation is being developed, and provides an opportunity for further risk free transmission upgrades.)
    - As such, the marginal benefits of the AEMC's proposals appear small.
- The AEMC should instead prioritise supporting jurisdictions on rapidly implementing REZs and accelerating AEMO and TNSP connection processes (such as through the CEC-AEMO Connection Reform Initiative). Simpler mechanisms such as rounding of constraint equations (to avoid the false precision of too many decimal places in tie-breaking between nearby projects) should also be revisited.
- AEMC should work directly with key investors (including through the Clean Energy Council and AFMA) to inform and draft the final report and ensure that a credible view of the costs, benefits, and risks is presented.

Other key points:

- There are key challenges for Priority Access that have not yet been fully addressed by the AEMC. For example:
    - Will new investments incur all the risk of new constraints or transmission outages? In particular, will new entrants incur all the risk of non-local outages (such as interconnectors), restrictions under AEMO's "Transitional Services Framework" (where AEMO has explicitly said it does not know what type of constraints might be implemented in the future), regional or national limits on total instantaneous renewable generation (as proposed in AEMO's Engineering Frameworks papers), and existing constraints such as system strength.
    - What does Priority Access do to marginal curtailment rates?
    - Considering these issues, what is the impact on the levelized cost of new investments, including the cost of capital, and what is the flow on impact to wholesale prices and CIS costs?
    - What will be the impact on financial and hedge markets, and the cost of retailers for managing risk for participants?
    - What is the impact on emissions from granting priority access to existing coal power stations? What are the costs and benefits of granting priority access to coal power stations, and is this a wealth transfer from consumers to coal power stations?
    - Does AEMO consider the Priority Access framework workable and with limited market impacts?
    - On balance, we consider that modelling to date requested by the ESB has underestimated the increased costs and risks faced by new entrants by the hybrid model, which likely outweigh any benefits from protection against future new entrants. AEMC has an opportunity to review and improve the modelling at this point.
- Given these issues, we anticipate that Priority Access will result in much higher marginal prices for new entrants, increasing prices for consumers. Dispatch prices will also necessarily be higher due to the less short-run efficient dispatch in real-time (as

Priority Access necessarily distorts the least-cost NEMDE dispatch). Finally, the prioritisation of existing coal over new entrant renewable capacity will increase emissions, compounded by the chilling effect in new entrant renewables.
    - On this basis, the Priority Access framework does not seem to be consistent with the NEO.
- On the Congestion Relief Market:
    - The AEMC has altered the Congestion Relief Market significantly from the voluntary market proposed by CEC/Edify. The proposed CRM appears to create local marginal price signals, which have been explicitly ruled out by energy Ministers. By incorporating the CRM bids into NEM dispatch pricing, it may further create mandatory local marginal price bidding, which will significantly distort and disrupt the functioning of the market.
    - The CRM will likely require substantial upgrades in bidding software by both AEMO and clients, and significantly increase the amount of storage space required for new data. This will result in significant costs, likely above the conservative estimates currently considered.
    - We note that the CRM dispatch may be depending on how CRM constraint coefficients are implemented
    - Further consideration may be needed as to the likely utilisation of CRM, the realistic benefits, and the cost of implementation. In general, the design paper has focused only on possible benefits of the Hybrid model, and has not appropriately considered potential costs or the issues raised by stakeholders in previous consultations.
- Further engagement on financial and hedging contracts may also be required.
    - For example, the AEMC is incorrect when it asserts transmission constraints are unlikely to coincide with high price periods and that only dispatchable capacity is used to back contracts[1]. In fact, transient transmission congestion is a major driver of high prices, and
- More broadly, we consider the focus of the market needs to be on unlocking and accelerating the delivery of new resources. The paper has instead focused on mechanisms to restrict, prevent, or penalise new entrants, including favouring existing coal units.
    - Congestion is an issue for equity investors but a net benefit for consumers, as it allows for risk free transmission upgrades (if that is a least cost solution).

Testing and modelling the hybrid model

Feedback on cost benefit analysis (CBA) conducted in 2023

AEMC Question 1: Feedback on cost benefit analysis (CBA) conducted in 2023

What are stakeholder views on the assumptions used in the CBA?

Industry's additional questions for consideration:

(a) Do you consider NERA's CBA modelling of COGATI in 2020 and CMM/CRM updated analysis in 2023 to be an accurate Cost Benefit Analysis of the current (Priority Access and Congestion Relief Market) hybrid model? Why / why not?

[1] Briefing to AFMA, 2024-05-23

(b) Do you consider the Cost Benefit Analysis appropriately reflects the impact on financial markets? If not, do you consider that financial market impacts would likely have a material impact on a CBA? (c) Do you support a new Cost Benefit Analysis being undertaken of the model ultimately recommended by the AEMC even if it causes a delay in the decision process? Why do you consider this necessary or unnecessary?
Industry submissions to date have discussed in detail that the cost benefit analysis conducted in 2023 was not credible. For example, the modelling assumed that under the counterfactual projects would continue to invest in locations where curtailment was far in excess of the marginal curtailment possible for alternative investments. This does not accurately represent the way that investors make decisions. That is, while investors may make errors under "gold rush" conditions, investors learn quickly and do not continue to invest in sub-optimal locations. We note that subsequent analysis and studies that have not been reflected in the AEMC's paper. For example, the paper does not reference the detailed analysis provided by Baringa[2] which shows that transmission access reform could result in materially higher investment costs. Furthermore, this modelling does not reflect the details the proposed priority access framework, including the impact on emissions, marginal new entrants, and the REZ/CIS scheme. More significantly in terms of potential benefits, the market has moved on since access reform was first proposed: • jurisdictions are already considering pathways for supporting their REZ development • NSW, QLD, and Vic are progressing frameworks for *ex ante* restrictions on developments that would adversely affect REZs and/or assessments of grid impacts • The CIS and LTESA frameworks will also increase government control over investment locations, including ability to delivery energy to required locations On costs, we note: • Current implementation cost estimates to be too low. • Costs should be reviewed in light of initial vs actual cost projections for the 5MS process. • We note that all participants will incur costs of implementing the CRM systems, regardless of their future participation (e.g, updating databases for new AEMO tables, which can be costly and time consuming) We recommend: • If the proposed hybrid model is not otherwise paused or halted, further analysis should be conducted on the marginal investment signals from priority access, taking into consideration marginal curtailment rates, transmission outages, and potential local and wide area constraints (including as-yet undefined interventions

[2] https://www.aemc.gov.au/sites/default/files/2020-10/EPR0073%20-%20Snowy%20Hydro%20submission%20COGATI%20interim%20report%2019Oct2020.pdf

under AEMO's Transitional Services Framework[3] or AEMO's proposed limits on maximum instantaneous renewable energy penetration[4])
- New analysis needs to be undertaken by a consultant more familiar with the Australian market and investment conditions, and run jointly between key industry groups (e.g., the Clean Energy Council and AFMA) and the AEMC to ensure the modelling accurately reflects.
- The counterfactual scenario should incorporate a credible view of CIS investment, REZs, and MLF signals (again in direct consultation with investors)
- The modelling should report on total costs and impact on emissions.

AEMC 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?

Industry's additional questions for consideration:

(a) As stated in the Paper (p. 25), last year's prototyping analysis of the hybrid model showed that wholesale prices were higher in 31% of the cases and a highest priority access generator was curtailed more in 30% of the cases analysed compared to the status quo.

Do you think the materiality and implication of these identified issues has been adequately addressed in the Paper? If not, what additional analysis do you consider is required?

How significant do you consider the issues to be?

(b) Do you consider sufficient analysis has been undertaken to explore how the CRM and Priority Access models will work in combination?

We note that higher wholesale prices (in the short to medium term) are a necessary and unsurprising outcome of any priority access arrangement. By definition, priority access involves the dispatching (in the short-run) more expensive generation in order to protect long-term investments in the hope that this will result in lower financing and hence new-entry costs.

We are also concerned about the potential impact on contract liquidity and hedging arrangements. Priority access may reduce the ability of new entrants to sell hedges, or lead to higher price risk on consumers due to retailers and generators needing to price that risk in.

Priority access will also tend to prevent competition, which will result in higher prices and reduce opportunities for "risk free" transmission upgrades. For example, the concentration of investment in the so-called "rhombus of regret" resulted in higher utilisation of transmission and developing business cases for transmission upgrades. Critically, in a world where new generation and transmission will be required to replace coal, this is a net benefit to consumers; consumers did not incur higher costs due to this investment.

[3] https://aemo.com.au/initiatives/major-programs/improving-security-frameworks-for-the-energy-transition

[4] https://aemo.com.au/-/media/files/initiatives/engineering-framework/2023/nem-engineering-roadmap-fy2024--priority-actions.pdf?la=en&hash=DED803FB758F555EE934A898367E66C6

AEMC 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?

Industry's additional questions for consideration:

(a) After the hybrid model starts (i.e. in 2028), what effect will Priority Access have on new development projects achieving FID? Will they find it easier or harder, and why?

(b) Do you consider that the risks with implementing the hybrid model have been adequately considered and addressed? What are the key risks and how serious are they? What would be the advantages and disadvantages of not implementing the hybrid model?

(c) What do you consider the impact of the hybrid model will be on emissions? Is a technology-neutral approach granting highest priority access to thermal (and renewable) incumbent generators appropriate? Has the role of emission reductions objective in the NEO been considered appropriately?

(d) What matters need to be considered for modelling the effects of the hybrid model on investment in long lead time assets, such as pumped hydro or other forms of storage?

(e) In regards to protecting REZ access rights, do you consider that alternatives to the hybrid model, such as the various 'controlled access' models flagged by NSW and QLD, might form a viable alternative to the hybrid model?

Priority access grants first mover advantage to early investors through preferential access to the network in the event of congestion. The AEMC has noted that this reduces the risk that future investments impact on existing investments (so-called "cannibalisation"), due to slightly preferential constraint equations.

We do note, however, that there are very few (if any) examples of that occurring. In practice, renewable energy investors will not build new assets in the hope of being able to materially undercut other renewable generators on the basis of constraint equations. This is not to say that new investors will not cause additional congestion, or that incumbents might not face more congestion due to constraint equations. Rather, the impact is likely to be small and marginal.

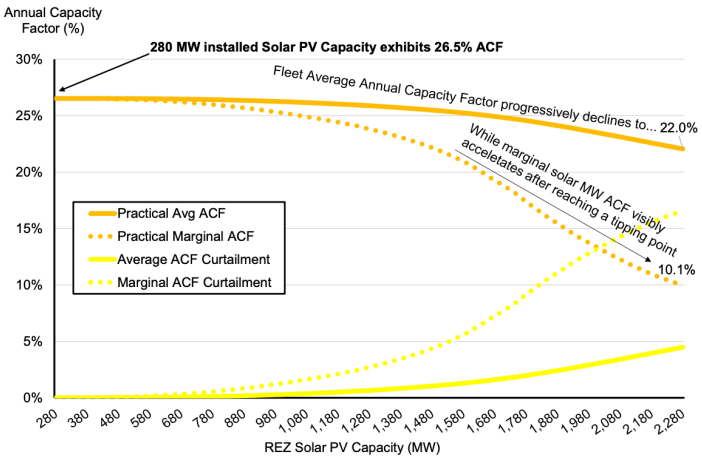
Impact on investment costs and wholesale prices

New entrants will incur greater curtailment and also greater curtailment risks. Simshauser and Newberry (2023)[5] undertook analysis showing that for similar levels of capacity, the *marginal* new entrant would incur significantly higher curtailment levels. Once financing criteria are satisfied, this leads to a doubling in LCOE ($/MWh) costs for the same installed capacity. While that analysis was conducted for a radial REZ, the same analysis will apply to investment in any area of the NEM facing curtailment, i.e., new entrants would face greater curtailment (and/or curtailment risk) and hence higher entry costs. As the NEM is a marginal

[5] https://www.eprg.group.cam.ac.uk/wp-content/uploads/2023/10/text2322.pdf

pricing market, we therefore expect this would result in higher wholesale prices and/or delay investment and/or increase the costs of the Capacity Investment Scheme.

Figure 5: Optimisation #2 – Average vs Marginal Curtailment – Solar PV



Consistency with the NEO and impact on emissions

We consider that the proposed Hybrid model is not consistent with the NEO. Further consideration of this and whether it can be resolved is required.

Reliability and cost

As noted in this submission, priority access actually increases costs and risks for at least some new entrants – this may delay capacity, increase costs, and impact reliability. Similarly, depending on the settings of priority access, wholesale prices will be increased. More generally, priority access is about *limiting* the entry of new renewables – this creates a risk that if new transmission is not developed quickly enough, investment will be slowed which can create reliability risks as coal ages and exits. By grandfathering access to incumbent coal generators, the changes will also reduce competition in the market.

Impact on emissions

Under the proposed Firm Access framework, incumbent coal generators will be given priority access over new renewables. This will necessarily increase emissions, and is not consistent with the NEO. Alternatively, they may be able to monetise this access through the proposed CRM framework; this might allow the short-term displacement of coal in some low-value periods in exchange for extending the life of coal assets and increasing long-term emissions.

The proposed Hybrid model precludes renewables from utilising existing transmission lines ahead of upcoming coal closures. For example, a renewable generator co-locating at the site of a coal plant would be curtailed first; its investment case would therefore be contingent on coal closure dates, and unlikely to be investable under current market conditions.

Further analysis would therefore be required to understand the impact of the Hybrid model on, for example, the Queensland plan to transition existing coal power stations to clean energy hubs.

Impact on financial markets

In presentations to AFMA, the AEMC has suggested that:

- Implicitly, on dispatchable assets would be exposed to contracts
- Cap contracts are unlikely to pay out during periods of transmission constraint

We note that these are factually inaccurate. Iberdrola Australia regularly sells firm retail contracts to commercial and industrial customers that are predominantly backed by wind and solar farms (supported, but not necessarily for the full megawatt capacity, by batteries and gas turbines). As such, access to the RRP is critical for these projects to hedge our customer load, and not just at times of excessively high price. We also note that transmission constraints are a major source of high price events; any new entrant generator caught in a constraint would be subject to preferential curtailment, limiting its ability to sell firm contracts to customers or on the futures market. We would be happy to discuss this in more detail with the AEMC.

Assessment of key model options

Assessment of priority access allocation models

AEMC 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?
This is about how should priority access be allocated

Industry's additional questions for consideration:

(a) For the model selected in your response to AEMC's Q4, do you consider this model will benefit your business or organisation? Do you think it will benefit the electricity market as a whole? Please explain your rationale.

(b) What effect would grandfathering the highest priority access for existing generators have on coal retirement decisions?

Consistent with our previous submissions, in general our preference is for any restrictions and prioritisation of projects to be applied on investment time frames, rather than at dispatch. This is simpler and allows for clearer investment and planning signals. This is reflected in our support for the *ex ante* REZ access frameworks proposed by jurisidctions rather than the *ex post* Congestion Management Model (CMM) previously proposed by the ESB.

We do not support the proposed "Dynamic Grouping" approach, where access would be developed through an "algorithm" close to real-time. Ahead markets have been repeatedly examined by the Energy Security Board and have been shown to be overly complex and disruptive to investment.

Under all scenarios, however, the timing of the AEMO connections process will be key. We suggest that any access approaches (including jurisdictional processes) need to be contingent on AEMO redirecting internal resources to the engineering and connections teams to improve certainty over connection timeframes as well as providing long-term certainty about system constraints. Otherwise, the financial impacts on generators, and hence consumers, from any delays could be even higher.

As noted above, we expect that the currently proposed model would delay coal closures, increasing NEM emissions.

We note that various REZ proposals include targeting a standard average curtailment level and no priority access between generators within the REZ. This highlights that Ministers have already recognised that local priority access is potentially problematic.

AEMC 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?

Industry's additional questions for consideration:

(a) For the preferred model design selected in your response to AEMC's Q5, do you consider this model will benefit your business or organisation? Do you think it will benefit the electricity market as a whole? Please explain your rationale.

(b) On page 64 of the Paper, it is stated:

"there could be a perception co-optimisation is less voluntary than the current lead model as CRM bids could affect or set the RRP that all participants face, including participants who do not opt into the CRM."

Do you consider the co-optimised CRM remains a voluntary model?

Do you have an adequate understanding of the operation and implications of the co-optimised CRM? If not, what further work is required?

We note that the proposed CRM designs have shifted significantly from those proposed by the CEC/Edify. Proposals that impact on the NEM spot price create new risks for investors, and potentially require renegotiating PPAs.

Critical to the CEC's CRM proposal was that it was a voluntary market that allowed for increased efficiency at no (short-run) cost. Iberdrola Australia supported further investigation of this model. The currently proposed variations do not, however, seem consistent.

Feedback on impact of the hybrid model on PPAs

AEMC 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?

Industry's additional questions for consideration:

(a) Does your organisation have PPAs that will still be in force in 2028? If so, how likely is it they will have to be renegotiated considering clauses covering

obligations to maximise generation, change of law and/or market disruption? Do you expect these renegotiations to be easy?

(b) Should Energy Ministers make a final decision to implement the hybrid model this year, will this make negotiation of new PPAs next year easier, more difficult, or pretty much the same? Why would this be, and would the change be significant?

Previous policy uncertainty around the potential implementation of COGATI and CMM proposals resulted in higher legals fees and delays or cancellation of PPA agreements.

We expect that the uncertainty around the hybrid model and the potential impacts on new projects will increase investment uncertainty and hinder the signing of PPAs to underwrite new projects.

If progress on reforms is continued, we expect it will introduce significant risk premiums into Capacity Investment Scheme bids for at least some projects, increasing the cost of the scheme.

AEMC 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:

a) How the proposed access model, or particular aspect(s) of the model, may impact

b) their ability to manage price risk in the market?

c) The subsequent impact that a reduced ability to manage price risk may then have on participants' hedging costs.

Industry's additional question for consideration:

Besides the impacts listed in AEMC's Question 7, what other impacts could the hybrid model have on financial markets?

As noted above and below, while the AEMC has focused on the protection against competition from new entrants, Priority Access also exposes new entrants to material curtailment risks. This is likely to exacerbate rather than ameliorate investment risk for new entrants; historically, the risk and impact of new AEMO constraints far outweigh the risk of "cannibalisation" from new entrants. Investors also typically undertake market studies of nearby investments, and so have a reasonable understanding of these risks. In contrast, new constraints (particularly wide area constraints) are highly uncertain.

AEMC 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?
Industry's additional questions for consideration: (a) Comment - Even for new generators locating in areas of low curtailment, new developments would suffer much more curtailment for scheduled, and unscheduled, network outages compared to generators with the highest level access. During network outages, should new developments experience much more of the resultant curtailment than grandfathered highest priority access generators? How difficult would it be for new generation to manage this risk? (b) Even for new generators locating in areas of low curtailment, there is a risk that new constraint equations could emerge later, sometimes coincident with grid augmentations like PEC, for which they will suffer much more curtailment than generators with the highest level access. For new constraint equations, should new developments experience much more of the resultant curtailment than grandfathered highest priority access generators? How difficult would it be for new generation to manage this risk? (c) Section 3.3 of the Paper describes further analysis to be undertaken by ACIL Allen. What scenarios and impacts would you like to see this analysis evaluate to provide more clarity and confidence that investors will have more certainty and less risk after the scheme begins (in 2028)? (d) The Paper notes that the dynamic grouping option "*has not been tested yet, or developed in any detail*" (p. vi). Do you think an informed decision on this option is feasible this year? Do you support further consideration of this option?
We are concerned that this issue has not been given greater attention, given it was raised by stakeholders at an early stage. If the most recent investors are exposed to all curtailment risk, this is likely to lead to inefficient investment on several fronts: • Investors will not invest at or above the normal line rating capacity in an area. Even under normal operating conditions, marginal curtailment costs will rise (see Q3) and it will be too risky to utilise the final MW (or indeed overbuild, as jurisdictions have confirmed will be the same for their REZs). Line capacity will be significantly derated from existing levels. • Non-local outages, e.g., interconnectors, may disproportionately impact on new investments, despite those investments not causing or contributing to those events.

- Investors will be exposed to unknown constraints, such as those to be developed by AEMO in the Transitional Services Framework. By definition, AEMO has not been able to identify what these constraints will be, but are likely to involve implicit or explicit limits on total renewable generation in an area (including from keeping thermal units online for risk management, as AEMO does in South Australia).
- We note that constraints for new lines may not be known until very close to commissioning, such as for the new Project Energy Connect constraints. This increases the risk for investors.
- Investors may be exposed to wide area constraints such as AEMO's proposed "renewable energy hold points" where AEMO proposes to limit the maximum penetration of renewable generation in a region until further engineering studies are undertaken. Based on the South Australian experience, if implemented, these limits could persist for some time. It does not seem reasonable that new investors delivering a valuable and fungible product (clean energy) should bear the full cost of such constraints.

In these cases, investors will have made what were *ex ante* good investment decisions (e.g., increasing installed capacity from 700 MW to 1000 MW in a region with a 1000 MW constraint) but will be penalised due to factors beyond their control (network outages, new constraints imposed by AEMO, overall renewable limits due to lack of forward preparation of system security services, etc.)

We note again that this already occurred in South Australia. We note that had new investors been liable for the wide area system strength constraints in South Australia, they would have incurred significant losses despite making what were considered (at the time and in hindsight) to be valuable investments. AEMO has not yet undertaken technical studies or published requirements for operating the grid with higher shares of renewable energy.

For the purpose of modelling, scenarios with both new local and new wide area constraints should be considered, and factored into the marginal entry investment case. This could involve Monte Carlo simulations, or simply imposing the constraints during a "planning" run to guide least-cost marginal investment and then examining the subsequent pricing and dispatch outcomes.

The "dynamic grouping" approach does not seem to address these concerns, and would not provide sufficient certainty for investors.

We recommend:

- If Priority Access was to be implemented, it should only apply to system normal constraints available at the time of granting access. Any future constraints, outage constraints, or wide area constraints should be exempted from priority access.
- This would need to be built into whatever mechanism is used to assign priority access. We recognise this is challenging under the "bid price floor" approach to assigning priority access. The complementary "dynamic grouping" approach does not seem to address this issue with any certainty that would underpin investments. Any solution would need to be fully designed *before* Ministers support Priority Access.

Feedback on detailed priority access design choices

AEMC 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?

Industry's additional question for consideration:

Does your organisation support implementation of Priority Access?

We previously supported additional analysis to explore the viability and impacts of Priority Access for the NEM. Based on the work since undertaken by the ESB, we do not support the implementation of Priority Access at this time based on the points raised above.

We do not support the grandfathering of legacy coal generators into priority access, as discussed above. Zero emissions resources should never be *required* to curtail to increase coal generation, which prevents the entry of replacement capacity ahead of coal closures.

We recognise the desire by jurisdictions to ensure that REZ investments, both in generation and transmission, are supported by downstream transmission access. We consider that this is best managed through jurisdiction and location specific policies, such as (well telegraphed) reviews on new connections in critical areas. In addition to state policies, this could be managed through the CIS Stage A tender process (e.g., through assessment of overall grid impacts or ability of the project to deliver energy to required locations, as was done in the LTESA Firming Capacity tender.)

AEMC 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 advantages and disadvantages of each design and any preference?

Industry's additional questions for consideration:

(a) The Paper notes the co-optimised implementation approach "*has not been developed to the level of detail as the two-stage dispatch*" (p.vii).

Do you consider an informed decision on this option is feasible this year? Do you support further consideration of this option?

(b) Does your organisation support implementation of the Congestion Relief Market?

(c) If Energy Ministers made a final decision to implement the hybrid model, do you consider that investors and developers would have increased or decreased investment certainty, and why?

Iberdrola Australia considers that the AEMC could conduct further analysis on implementing the original CRM design proposed by the CEC, with the clear proviso that participation would never be mandatory and the access of non-participating participants to the existing RRP would not be affected. We do not support further work on the alternative mechanisms proposed by the AEMC where CRM bids will impact on the RRP. As a voluntary mechanism, AEMC should separate the CRM from any analysis of Priority Access. I.e., the effectiveness of Priority Access or other mechanisms should not be contingent on wide participation in the CRM. Further analysis is required of the viability of NEM dispatch if the net outcome of a CRM settlement is fewer megawatts dispatched at that congestion point – i.e., how will the supply-demand be maintained subsequent to the CRM run without imposing local marginal pricing on any non-CRM bidding entity.
Information on additional issues