



7 June 2024

Anna Collyer
Chair
Australian Energy Market Commission

Lodged online: www.aemc.gov.au

Dear Ms Collyer,

Transmission access reform – Consultation Paper

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the AEMC's transmission access reform Consultation Paper. A summary of our position is provided below, with further details outlined in Attachment 1.

The National Electricity Market (NEM) is experiencing a once-in-a-lifetime transitional period. Over the past few years, we have consistently engaged with work programs aimed at improving the frameworks that underpin the transition, including transmission access reform (TAR). TAR, and the proposed hybrid model, aim to strengthen locational signals and promote the efficient use of the network as the transition progresses. We consider these access objectives are appropriate and consistent with the task at hand.

Since work on this iteration of TAR began, the investment and transmission frameworks in the NEM have changed significantly. Recent policy developments, such as the NSW Roadmap, Queensland's Energy and Jobs Plan, the Victorian Transmission Investment Framework, and the Commonwealth's Capacity Investment Scheme (CIS) have strengthened locational signals by incentivising projects to locate within renewable energy zones (REZs) or in areas of the grid with spare capacity.

The REZs being implemented through these jurisdictional policies also promote efficient use of the network by coordinating grid upgrades with replacement generation capacity. In NSW, REZs are also "right sized" to ensure congestion is efficient.¹ This is done through a controlled access regime that caps the volume of generation allowed to connect in REZs, with the option to restrict capacity in areas close to the zones. Other jurisdictions are also considering moving away from the open access regime – Powerlink is currently consulting on its preferred form of controlled access (first in first served)² for Queensland REZs, while Victoria will override open access on the entirety of its transmission network.³

While the immediate focus is on meeting 2030 targets, many of these jurisdictional programs extend beyond this timeframe, with state plans assessing the need for ongoing grid upgrades consistent with longer-term decarbonisation goals. We expect these policies, including controlled access regimes, to be in place for some time to come.

It is therefore not clear to Origin that the hybrid model provides any significant additionality in terms of sharpening locational signals or improving efficient network utilisation. This is given the ongoing implementation of REZs and other grid upgrades; controlled access regimes; and government support that rewards projects that locate in uncongested parts of the grid.

¹ EnergyCo, NSW access schemes <https://www.energyco.nsw.gov.au/industry/access-schemes>

² Powerlink, Queensland REZ design and development considerations <https://www.powerlink.com.au/sites/default/files/2024-05/Powerlink%20Queensland%20REZ%20-%20Invitation%20to%20respond.pdf>

³ VicGrid, Victorian Access Regime, https://www.energy.vic.gov.au/_data/assets/pdf_file/0023/706910/Victorian-access-regime-paper.pdf

Even if TAR did provide incremental benefits, these would need to be weighed against the operational complexity and technical challenges the model creates. It is now apparent that implementation will require a significant number of sub-optimal trade-offs and design choices while also introducing additional operational complexity to address new problems created by the model itself. For example:

- The hybrid model, which consists of Priority Access (PA) and the Congestion Relief Market (CRM), would lead to higher regional reference prices (RRPs) under the current implementation approach. To address this, a more complex and costly implementation option (known as co-optimisation) is being proposed, which itself introduces additional problems, such as potential settlement shortfalls; and reduced ability for participants to limit exposure to risks (e.g. basis) that could arise under the CRM. Basis risk arises when prices generators face differ from the regional price, which in this case would occur due to the co-optimised RRP incorporating local CRM prices.
- PA aims to protect investors from future curtailment risks. However, this may not allow for least cost outcomes given dispatch under PA would be dependent on when a generator connects to the grid as opposed to the merit order. This inefficient outcome would then be offset by generators participating in the CRM where dispatch is based on least cost. However, if CRM participation is low, then the hybrid model may lead to inefficient outcomes overall, contrary to the access objectives mentioned above.
- While safeguarding against future curtailment risks is meant to improve investment certainty, this is likely to be offset by new access risks created by the hybrid model. This includes uncertainty around CRM liquidity and how the priority access level allocated at connection would translate to actual dispatch outcomes.
- The hybrid model aims to address existing disorderly bidding incentives. However, there are concerns it may incentivise new forms of disorderly bidding. We note the ESB had previously considered introducing bidding restrictions to manage these,⁴ which would be inconsistent with how the market works.

It is not clear that these trade-offs and unintended consequences can be resolved in a manner that, on balance, achieves the access objectives. Origin's preference is therefore for the AEMC to recommend that Ministers explore expanding existing jurisdictional controlled access regimes to other REZs, including options to also manage access close to these zones if desirable. This would be in lieu of progressing the hybrid model for further development or implementation.

Notwithstanding the above, we provide detailed feedback in Attachment I on several key questions raised by the AEMC in the Consultation Paper to inform its design work on the hybrid model.

If you wish to discuss any aspect of this submission further, please contact Sarah-Jane Derby at Sarah-Jane.Derby@originenergy.com.au or by phone, on (02) 8345 5101.

Yours sincerely,



Steve Reid
General Manager, Regulatory Policy

⁴ AEMC, Transmission access reform, Consultation Paper, Pp. 106-107

The National Electricity Market (NEM) is experiencing a once-in-a-lifetime transitional period as industry and governments continue to work towards decarbonisation goals. Origin is fully committed to the transition and to support this, over the past few years, we have been highly engaged with the various work programs aimed at improving the frameworks that underpin timely investment in new generation and firming capacity, including transmission access reform (TAR).

Recent policy developments strengthen locational signals and promote efficient use of the network

The aim of TAR, and the hybrid model, is to promote the access objectives, including to provide better long-term locational signals and improve the costs of managing congestions by making more efficient use of limited network capacity.⁵ Specifically:

- Priority access (PA) would improve investment certainty by protecting generators' ability to dispatch when the network is congested from being eroded by newer entrants, as well as reducing incentives for new entrants to locate in these congested areas.
- The Congestion Relief Market (CRM) would provide voluntary incentives for generators to bid more cost-effectively when there is congestion and achieve a more efficient dispatch.

As a general principle, strong locational signals and promoting investment certainty are critical to the transition and for developers to make the appropriate commercial decisions. Managing congestion more efficiently is also an appropriate objective, in principle, noting that a certain level of congestion is efficient and a healthy outcome of an open access regime.

When design work on the hybrid model began, the NEM was still largely governed by an open access regime (with its known curtailment and congestion risks that are incorporated into investment decisions) a separate transmission business-driven process for grid upgrades. Fast forward to 2024 and the market, regulatory and operational conditions have changed in a short period of time. Australia's commitment to decarbonisation has significantly increased and this is reflected in government policies, including the Federal Government target of 32 GW of additional generation capacity (23 GW of which is from renewables) by 2030 under its Capacity Investment Scheme (CIS); and jurisdictional renewable energy targets.

In addition, due to concerns around slow grid upgrades, the national framework has recently been reviewed to ensure processes are efficient, including for example, by better incorporating external funding into the economic assessment tests used to augment the network. Large projects such as the VNI West and Marinus Link upgrades now also have financial Government support.

At the same time, most jurisdictions have or are in the process of implementing their own transmission planning and renewable energy zone (REZ) frameworks in recognition of the critical need for timely and coordinated grid updates, namely:

- The NSW Roadmap which implements distinct planning processes to identify REZ and broader shared network upgrades. It includes a minimum target of 12 GW of renewables in its REZs by 2030.

⁵ The access objectives have been agreed by Energy Ministers and can be found on paragraph 11 of the summary. AEMC, Transmission access reform, Consultation Paper, p. i.

- The Queensland Energy and Jobs Plan which implements the QREZ framework including the identification of REZs and broader shared network upgrades. The plan aims to facilitate an additional 22 GW of renewables by 2035.
- The Victorian Transmission Investment Framework (VTIF) which introduces state planning. The first Victoria Transmission Plan, which will include options for REZ upgrades, will be published next year.
- Tasmania is also implementing its own REZs and is currently consulting on a proposed area for its first zone.

REZs not only augment the network, but through access schemes, they aim to coordinate transmission and generation investment, including by right sizing capacity to ensure that congestion is efficient. Specifically, in NSW this is being implemented through a target curtailment level, which limits the volume of MWs of generation that can connect to a REZ so that congestion is efficient.⁶ This effectively is a form of controlled, rather than, open access.

Queensland and Victoria are also in the process of introducing access regimes in their states. Specifically, Powerlink, the infrastructure planner in Queensland, is currently consulting on an access regime, with its preferred model being a “first in first served” controlled access approach with a physical cap on connections.⁷ Victoria has published its plans for a Victorian Access Regime, which will override open access on the entire Declared Shared Network (DSN – the Victorian transmission network). Generators will need access rights to connect to Victorian REZs and to connect outside of them, they will need to demonstrate they meet several criteria, including not imposing undue incremental network curtailment on REZs.⁸

Separately, NSW has introduced government support in the form of long-term energy service agreements (LTESAs), which are only available to renewable energy projects located in REZs unless they can show outstanding merit. The Commonwealth’s CIS also rewards projects that do not have a negative impact on network congestion when assessing applications, through merit criterion 1 – contribution to system reliability and system benefits. We understand that the impact of projects on congestion will also be incorporated at the financial stage of the process (merit criterion 5 – financial value).

The above policy developments send strong signals to investors to either locate in REZs, where access and upgrades are coordinated to ensure efficient congestion; or in other areas of the grid where the project will not worsen congestion. Our expectation is therefore that the bulk of renewable capacity will occur in REZs over the coming decade, consistent with the draft 2024 Integrated System Plan (ISP) which projects significant solar and wind build primarily in REZs under its most likely scenario.⁹

In other words, these developments directly address the TAR access objectives. It is therefore not clear to Origin that the hybrid model provides any significant additionality in terms of sharpening locational signals or improving efficient network utilisation, in a NEM that is increasingly governed by distinct controlled access regimes (i.e. not open access), state-driven grid augmentation and government support that rewards locating in uncongested parts of the grid.

⁶ EnergyCo, NSW access schemes <https://www.energyco.nsw.gov.au/industry/access-schemes>

⁷ Powerlink, Queensland REZ design and development considerations <https://www.powerlink.com.au/sites/default/files/2024-05/Powerlink%20Queensland%20REZ%20-%20Invitation%20to%20respond.pdf>

⁸ VicGrid, Victorian Access Regime, https://www.energy.vic.gov.au/data/assets/pdf_file/0023/706910/Victorian-access-regime-paper.pdf

⁹ AEMO, Draft 2024 ISP, Supporting materials, Draft 2024 ISP generation and storage outlook, <https://aemo.com.au/consultations/current-and-closed-consultations/draft-2024-isp-consultation>

We understand access reform is intended to apply on an enduring basis, while some of the jurisdictional policies may be time limited. However, most state and national plans have provisions that extend beyond 2030. In NSW, e.g., the Roadmap has ongoing objectives for the construction of generation infrastructure that benefit consumers. Its REZ access schemes also allows for extensions and for headroom assessments to capture future expansions. Its planning document, the Network Infrastructure Strategy, identifies grid upgrades beyond 2030.

We expect that REZs will continue to be developed and transmission upgraded consistent with these plans beyond 2030. It is not clear that a more enduring mechanism would be necessary once this tranche of the transition (say, by 2030) is complete.

The trade-offs involved in implementing the hybrid model may be difficult to resolve

Even if the AEMC considers there are incremental benefits to TAR, these would need to be weighed against the magnitude of the changes to be implemented.

The hybrid model remains operationally complex and technically challenging. Complexity in itself is not problematic given the intricacies of the NEM and we acknowledge that major reforms will involve significant amounts of it. However, after participating in the design of the hybrid model over several iterations through technical working groups and consultation processes, it is now apparent that implementation will require a significant number of sub-optimal trade-offs and design choices while also introducing additional operational complexity to address new problems created by the model itself.

For example:

- The hybrid model leads to higher RRP (inefficiently) due to implementation challenges and choices. Specifically, in implementing the CRM under a two-stage approach, the concept of the regional reference price (RRP) can be retained to minimise impact on participants, but AEMO's prototyping results show that it can lead to higher RRP. To address this, the Consultation Paper proposes a more complex and costly implementation option (co-optimisation), which itself introduces additional problems, such as potential settlement shortfalls and changes the concept of the RRP. The co-optimised RRP incorporates local CRM prices, which reduces the ability for participants to limit exposure to the CRM including the inherent basis risk and this in turn may impact on contract markets.
- PA involves trade-offs between harder (more certainty against future curtailment risk but higher reliance on the CRM for efficient outcomes, and therefore more exposure to the CRM) or softer priority (less certainty but less reliance on the CRM for efficient outcomes). As PA alone would be based on chronological order of connection, rather than costs, when there is congestion, the dispatch outcomes are not efficient. It relies on generators participating in the CRM to improve dispatch efficiency, since the CRM is settled on a least cost approach. This means that if CRM participation is too low, the hybrid model would lead to more dispatch inefficiency compared to the status quo – i.e. higher congestion costs. It remains unclear what levels of participation would be necessary to ensure access objectives are met. The choice between the two spectrum (harder and softer priority) is also dependent on what the dispatch engine is technically able to handle, adding to the difficulty of making these trade-offs.
- PA aims to improve investment certainty by reducing curtailment risks. However, this would be offset by new curtailment risks introduced by PA and the hybrid model more broadly, including the need to project CRM liquidity to determine future congestion risk. In effect, it would be replacing one risk with another. These new risks would make curtailment modelling at the investment stage more uncertain and would require additional sensitivities (e.g. assumptions around a project's CRM participation and overall CRM liquidity) which would add to the cost of the exercise.

- The hybrid model aims to address existing disorderly bidding incentives. However, there are concerns it may incentivise new forms of disorderly bidding. We note the ESB had previously considered introducing bidding restrictions to manage these, which would be inconsistent with how the market works.

These trade-offs are also reflected in our specific feedback to the questions posed in the Consultation Paper in Table 1 below. Some of the unintended problems or trade-offs involved may be minor; however, when examined in aggregate and against the likely marginal impact of the proposal, it is not clear to Origin that, on balance, access objectives can be met.

Origin’s preference is to build on existing access schemes if needed, rather than implementing the hybrid model

We understand that Ministers intend to make a decision on the hybrid model later this year. Origin’s preference is for the AEMC to recommend Ministers not to proceed with further development and implementation of hybrid model, given the above. Instead, if jurisdictions and the AEMC remain concerned about access issues despite the work under way to implement REZs, consideration could be given to existing controlled access regimes and whether these could be applied to other parts of the grid, and to other jurisdictions that are yet to develop their own regimes.

This would be preferable given that it would build on existing schemes and provide signals at the investment stage, rather than fundamentally changing how the market works in real time and creating potential unintended consequences.

The AEMC could examine if existing jurisdictional approaches (such as in NSW) could apply in other REZs, where this is not being undertaken by the jurisdictions. Outside of REZs, consideration could be given to a form of controlled access that would apply in specific areas of the grid close to REZs where there are concerns about future congestion affecting the zones. When a generator applies to connect to that part of the grid, there would be an additional check at connection to ensure the impact on congestion is limited, with the option for a proponent to remediate; or if there are significant connection enquiries, the option for a network operator to consider an upgrade.

To minimise implementation further, this approach could use existing methodologies, such as the one used during the CIS process to determine how projects are assessed for congestion, or to determine the target curtailment level under the NSW Roadmap, or through the Victorian access regime (e.g. the proposed grid impact assessment) once it is implemented.

The rest of this submission provides feedback on key consultation questions to inform the design of the hybrid model

Notwithstanding our comments above, the remainder of this submission provides feedback on some of the questions raised by the AEMC in the consultation paper to inform its ongoing design work.

Table 1: Key consultation questions

Feedback area	OE views
Assessment of model options – priority access	
Assessment of priority access allocation models Q4. Which model option do you prefer and why?	These options involve trade-offs, such as how strong priority should be, what that may mean for CRM participation or the complexity of implementation. On balance, Origin prefers Option 1: grouping by time window.

<p>The Consultation Paper sets out four options for allocating priority access:</p> <ul style="list-style-type: none"> ▪ Option 1: grouping by time window: This would introduce 10 priority levels in annual batches. ▪ Option 2: grouping by time window REZ: This Option 1 but with REZ generators being allocated the highest (best) priority level. ▪ Option 3: Two centrally-determined tiers: Jurisdictions or a central body would choose which generators are prioritised and which ones are deprioritised in a two tier model. ▪ Option 4: Dynamic grouping: A strictly chronological approach using a sequential dispatch algorithm that would run ahead of real time, likely during pre-dispatch (30 minutes ahead). 	<p><u>Option 1</u></p> <p>This option minimises dispatch inefficiency and appropriately balances the rights of grandfathered generators and new entrants. It is also simpler to implement and will likely be more effective in sending investment signals than Option 4.</p> <p>If this work progresses, further consideration could be given to the number of levels proposed (10 annual batches) – e.g. more batches may be more useful in providing certainty but this would need to be balanced against other challenges (e.g. impact on RRs etc).</p> <p><u>Option 4</u></p> <p>Option 4, on the other hand, would lead to heavy reliance on the CRM, particularly if it is not clear up at the investment stage how firm priority will be as the final priority order will not be determined until close to dispatch, when MWs are prioritised. This somewhat offsets the fact that it is meant to provide more certainty through a simple chronological priority.</p> <p>In addition, it would be complex to implement in NEMDE and would require additional changes to pre-dispatch or another period ahead of real time. This is on top of the other changes introduced by the hybrid model. We do not support this option.</p> <p><u>Options 2 & 3</u></p> <p>With Option 2, it is not clear if this could lead to inefficient outcomes if it inadvertently disincentivises siting decisions in good areas of the grid not near REZs.</p> <p>Option 3 in our view is a centrally-planned approach – jurisdictions already have access schemes in place, which are a more direct way of managing access in REZs.</p>
<p>Feedback on detailed priority access design choices</p> <p>Q9. What are stakeholder views on the detailed priority access design questions and the AEMC's preferred positions?</p>	<p>The Consultation Paper proposes to:</p> <ul style="list-style-type: none"> ▪ Prioritise access for the expected economic life of the asset; and ▪ Substantially grandfather legacy generators. <p><u>Substantially grandfather legacy generators</u></p> <p>Grandfathering is critical as generators cannot relocate and should not be penalised for decisions made under a different framework. Grandfathering for major regulatory changes is a core tenet of public policy.</p> <p>Under Option 1 of PA, this would mean that a legacy/grandfathered generator could retain the highest (best) level of priority for the economic life of its asset, after which time it would be allocated the lowest (worst) level. However, grandfathering for incumbents is not</p>

	<p>in full for the remaining asset life since after 10 years, on an annual basis the highest level of priority would grow larger as new entrants move up one level. This is to recognise the trade-offs between grandfathering rights and incentives for new entrants.</p> <p>In our view, the proposed grandfathering approach under Option 1 of PA largely appropriately balances the rights of new entrants and incumbents.</p> <p><u>Prioritise access for the expected economic life of the asset</u></p> <p>One aspect which requires further thinking is whether generators (grandfathered or otherwise) should be deprioritised to the back of the queue at the end of economic asset life, which would be a pre-determined timeframe not controlled by the asset owner.</p> <p>For grandfathered generators, this would mean that they would move to the back of the queue once they reach the end of their economic life, as noted above. Presumably, for older plant this could mean that some are not grandfathered at all if it is deemed that they have reached their economic life, and therefore allocated the lowest priority at reform start.</p> <p>For new entrants, it would mean they could continue to be rolled up to the next best priority level (including until they reach the highest priority level) until the end of their economic life after which time they would also be allocated the lowest level of priority.</p> <p>On the one hand, this could manage concerns that PA could prolong (inefficiently) the life of an asset, but on the other hand, it could lead to more disorderly exit if a generator retires too early because of lack of priority when sent to the back of the queue. Furthermore, it may lead to inconsistencies with jurisdictional programs, including if the economic life is not consistent with a REZ access right term for new entrants or with a negotiated retirement contract with a jurisdiction.</p> <p>It may therefore be more appropriate for this matter to be dealt with through other work (such as the orderly exit management framework) if the AEMC is concerned about retirement decisions, rather than through this design choice. Instead, priority should last until a generator (incumbent or otherwise) decides to retire.</p>
<p>Assessment of model options – CRM</p>	
<p>Assessment of CRM implementation approaches</p> <p>Q5. Do stakeholders have a preferred design and if so, why?</p>	<p><u>Two-stage dispatch</u></p> <p>Implementing two-stage dispatch is simpler as it would, in effect, run NEMDE a second time. However, this would create two RRP, one in the first run known as access dispatch, and one in the second run, known as physical dispatch.</p> <p>The ESB (and this Consultation Paper)'s position is to use the RRP in the access dispatch to settle the market. This also remains Origin's preference as, even though access RRP is not exactly like the status</p>

<p>The Consultation Paper proposes two CRM implementation options:</p> <ul style="list-style-type: none"> ▪ Two-stage dispatch: It would be implemented via two separate, sequential solves of NEMDE, known as access and physical dispatches. ▪ Co-optimisation: The two dispatches would be co-optimised with FCAS in a single solve of NEMDE. 	<p>quo RRP (and in any case, RRP outcomes would differ due to PA and changes in bidding behaviour), it would likely minimise disruption on financial markets and better promote the voluntary nature of the CRM compared to using the physical RRP. As noted in previous submissions, a voluntary CRM is a pre-requisite for implementation.</p> <p>Two-stage dispatch, however, leads to some unintended consequences, most notably, it could lead to higher RRP. The AEMC proposes co-optimisation to solve some of the unintended consequences of two-stage implementation but this introduces its own issues.</p> <p><u>Co-optimisation</u></p> <p>Under co-optimisation, there would only be one RRP, which would be set by the marginal cost/generator, in the co-optimised energy market in a single run. Conceptually, this means that the RRP would be set in physical dispatch (i.e. incorporating CRM outcomes and therefore the cost of congestion/local prices).</p> <p>This means that participants that opt out of the CRM would be indirectly exposed to the CRM through the new co-optimised RRP and dispatch quantities. This is likely to be more disruptive (e.g. on financial markets) than the two-stage approach and would reduce participants' ability to limit exposure to the CRM, including price and volume risk.</p> <p>It is also inconsistent with the current position to use the RRP from the access run under the two-stage approach since the co-optimised RRP is conceptually similar to the RRP from physical dispatch.</p> <p>We understand that there may also be other unintended consequences, including that it may be more technically challenging and costly to implement in NEMDE and could lead to settlement shortfalls.</p> <p><u>Two-stage dispatch is preferred</u></p> <p>Given the above, Origin prefers two-stage dispatch.</p>
<p>Feedback on detailed CRM design choices</p> <p>Q10. Do stakeholders have further views on the detailed design choices for the CRM that were explored by the ESB?</p>	<p>The ESB had been considering introducing bidding restrictions to address concerns that the CRM would create new incentives to disorderly bid – an unintended consequence of this reform.</p> <p>The Consultation Paper's position is to not introduce new bidding restrictions and that the AER would instead monitor behaviour to determine if restrictions are necessary, once/if implemented.</p> <p>We support the position to not introduce new bidding restrictions as this would be inconsistent with how generators' bidding behaviour is currently managed. We also did not consider it was an appropriate response given that the reform itself introduces these incentive – it is not an existing problem.</p>

Key stakeholder concerns	
<p>Feedback on impact of the hybrid model on PPAs and financial markets</p> <p>Q6. What are stakeholder views on the observations and AEMC initial views regarding impacts of the hybrid model on PPAs?</p> <p>Q7. What are stakeholder views on the impacts of the hybrid model on financial markets?</p>	<p>The hybrid model will significantly change how the market works, even with a voluntary CRM. As a result, it follows that there will likely be impacts on contract markets, consistent with other reforms of this magnitude.</p> <p>The significance of the impacts will depend on the final design choices made (e.g. co-optimisation v/s two-stage) and the level of priority a generator receives. We make the following comments to help the AEMC determine the impact in making its final recommendations.</p> <p><u>New power purchasing agreements (PPAs)</u></p> <ul style="list-style-type: none"> ▪ Even if generators can opt out under a voluntary CRM, PPAs will need to incorporate the potential for CRM exposure to capture this change to the market. ▪ A potential outcome could be that this risk is passed on to the counterparty. This could then make it more difficult for PPAs to be signed in some locations, which may encourage counterparties to look for contracts in areas of grid with no congestion risk. In some instances, it may lead to disincentives to invest even in efficient locations if participants take a conservative approach by looking for PPAs elsewhere. The magnitude of this potential outcome should be examined by the AEMC. <p><u>Financial markets</u></p> <ul style="list-style-type: none"> ▪ Even if the CRM is voluntary, generators would likely need to consider any risks that could arise from the introduction of the hybrid model. In addition, for some new entrants, participation in the CRM may be necessary if a low level of priority is allocated (even if it is efficient to invest in that location). ▪ A potential outcome might be that to manage access / volume risk, generators offer fewer contracts into the market. Another potential outcome could be that new types of contracts are offered to account for this, or both. It remains unclear which will eventuate.
<p>Feedback on wide-reaching constraints</p> <p>Q8. Do stakeholders consider that there is value in implementing the dynamic grouping option for priority</p>	<p>Wide-reaching constraints, such as system strength or emerging stability constraints, are an existing risk that generators currently face. At present, this risk is shared (either via constraint coefficients or on a pro-rata basis) by all generators. With PA, it would disproportionately be borne by generators with lower priority. This creates an additional risk for new entrants / generators with lower priority that is currently not present.</p>

<p>access to mitigate this concern?</p>	<p>We agree that the root cause (the existence of the constraints) is not an access problem, but a broader transmission framework issue. However, the fact remains that when the problem arises, it creates an unintended additional risk for new entrants solely as a by-product of introducing the hybrid model, and this risk is difficult to manage.</p> <p>However, we do not support introducing dynamic grouping (Option 4 of PA) to address this risk. Dynamic grouping creates other problems, as discussed above, and is not an appropriate solution.</p>
---	---