11 June 2024

Ms Anna Collyer
Chair
Australian Energy Market Commission

By email

Dear Ms Collyer,

Re: Response to Transmission Access Reform – Consultation Paper (April 2024)

Atmos Renewables (Atmos) welcomes the opportunity to provide feedback on the Australian Energy Market Commission's (AEMC) consultation paper on Transmission Access Reform published in April 2024.

Atmos Renewables is a leading Australian renewable energy IPP with interests and ownership in over 1.8GW of wind and solar assets across all the NEM states. Atmos develops and invests in renewable energy and storage projects across the NEM and WEM at all stages of their lifecycle, including wind, BESS and solar.

Atmos is an active participant in regulatory matters including participating in the Technical Working Group for the Transmission Access Reform review. Atmos is strongly concerned by the direction of this review, seeing that the priority access component has become so unworkable it would be detrimental rather than beneficial to investors and consumers, and that this has overshadowed and overcomplicated the congestion relief market that would bring real value to consumers in enabling the efficient dispatch of, and therefore investment in, storage in congested areas of the network.

Atmos recommends the AEMC:

- abandon the currently proposed ***priority access mechanism*** and
- focus on the implementation of the ***congestion relief market*** **(*CRM*)** as a standalone mechanism.

Priority Access

The goal of the priority access mechanism as originally proposed by the Clean Energy Investment Group had merit, in aiming to increase investment certainty by reducing the risk of cannibalisation of projects by new entrants. However, the approach of implementing this through a dispatch-based mechanism has shown itself to be completely unworkable, to the point where the disruption and uncertainty from such a change would greatly outweigh any perceived benefits to investment certainty. Atmos notes that the financial signals of congestion (curtailment) are strong and are now better understood by the industry including investors and lenders, working against irrational investment and cannibalisation.

For a mechanism to increase investment certainty, it must be possible to reasonably model likely outcomes and to explain the mechanism's working to stakeholders with a range of levels of technical understanding. With the currently proposed floor-price tiers model, AEMO's own simulation and modelling found it would

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not provide definite priority, and would at times, particularly in highly congested areas of the network with high penetration of renewables, give perverse outcomes including higher market prices. Proposed additional complexity to reduce the all-or-nothing impact of wide-reaching constraints shows the unworkability of the model. Many technical experts within the renewables industry are doubtful as to the effectiveness of the mechanism, which leaves little chance for investors and banks to be given increased certainty.

Responding to the proposed models for priority access, Atmos does not see value in any of them.

- The ten-time-period model is the least-worst. The levels are close together so the priority signals would be weak, and after ten years new projects would be on an even priority with existing. Atmos makes 30+ year investments, so a 10-year priority with diminishing protection is worth little, only deferring rather than solving the issue.
- The two-tier and REZ-priority approaches are extremely blunt. These would destroy the value of developments outside REZ areas and destroy the confidence of investors in engaging in the multi-year effort of developing new greenfield projects. The result could be that the only projects that proceed would be those at the top priority level, leaving a very complex market implementation where all end up in the same bucket, and hence the market itself would add nothing. Furthermore, policy to date stipulates incentives to build a project within a REZ, while not precluding development outside of a REZ, should the project demonstrate suitability in terms of amenity and environmental considerations and grid connection requirements.
  The two-tier system would essentially establish a market signal that renders projects outside of a REZ are unviable for investment.
- The dynamic grouping model, including the strawman implementation presented at the Technical Working Group where generators are added to dispatch one by one in a pre-run, is astonishing in its naivety, and while cute in a simple radial model, would be unworkable in the complex meshed NEM where there would be significant misalignment between the pre-run and the actual dispatch run.

Congestion Relief Market

Atmos is actively developing BESS storage projects but, in direct contradiction to the network needs, is finding no incentive to invest in congested parts of the network. This is because settlement at the Regional Reference Price (RRP) actively disincentivises charging the BESS to relieve congestion. A CRM would provide the financial signals needed for efficient dispatch and investment. Given Atmos' argument above that priority access in dispatch mechanism should be abandoned, Atmos notes that the CRM would help incentivise storage development and demand response to make the most of generation investments in the case that projects do cause cannibalisation when investing in congested areas.

It may be argued that schemes such as the Capacity Investment Scheme (CIS) will drive storage development, however the CIS alone cannot incentivise efficient locational investment in storage if that storage is not efficiently dispatched. The renewables industry is looking at behind-the-meter storage to capture generation during local network congestion, but this approach limits the reach of congestion relief and adds great complexity in implementation. Neither of these will drive efficient locational investment in storage across the network.

The AEMC has proposed that the CRM can unwind the sub-optimal dispatch that would result from the priority access scheme. Atmos argues that the CRM would be a much cleaner mechanism, and therefore bring more clarity and certainty to investors, if it were not responsible for cleaning up the mess from priority

access. Taking Atmos' view expressed above that implementing priority access in dispatch should be abandoned, Atmos' preference for the CRM is for the 2-step solution so the access dispatch run, and therefore access volumes and RRP, are as close to the status quo as possible.

Atmos agrees with the AEMC that there may be challenges with existing Power Purchase Agreements (PPAs) in implementing the CRM and is happy to engage further with the AEMC with reference to impacts on the types of offtake arrangements in the Atmos portfolio. Atmos suggests a voluntary CRM with the access run easily explained to be close or identical to the existing dispatch would be the most straightforward case for renegotiating PPAs. Many PPAs in their "market disruption" and "change in law" provisions refer to returning the parties to the position they would have been in had the change not happened, which would be far easier if that position was able to be easily identified. The specific wording of the rule change will need to be carefully considered to ensure it triggers appropriate market disruption and/or change in law provisions in PPAs, particularly around the definition of the RRP and its use in settlement, to ensure generators are not left involuntarily holding the entire basis risk of the CRM price versus RRP on their CRM volumes.

Atmos will be pleased to engage further with the AEMC on this important matter of transmission access reform. For any enquiries on this submission please contact Allison Hawke, General Manager Development, at allison.hawke@atmosrenewables.com.au or 0431 381 875.

Yours sincerely,

Nigel Baker
Chief Executive Officer
Atmos Renewables