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Anna Collyer
Chair
Australian Energy Market Commission

Lodged by email to AEMC staff

Submission to the AEMC Transmission Access Reform Consultation Paper

Who is ACCIONA?

ACCIONA Energía is the largest 100% renewable energy company with no fossil legacy in the world. It has 11GW of renewable energy in 16 countries. With 30 years of experience, ACCIONA Energía offers a complete portfolio of tailor-made energy solutions for its corporate and institutional clients to meet their decarbonisation goals. ACCIONA Energía is committed to the highest environmental, social, and corporate governance (ESG) standards. The broader ACCIONA Group has been operating in Australia since 2002, where it has successfully developed its renewable energy, water, and infrastructure businesses.

ACCIONA Energía develops, builds, and operates wind farms that produce clean energy for more than 285,000 Australian homes per year. It's installed capacity of 435 MW is distributed between Mt. Gellibrand (132 MW, VIC), Waubra (192 MW, VIC), Cathedral Rocks (64 MW, SA) and Gunning (46.5 MW, NSW). The company is currently finalising commissioning of a wind farm south of Mortlake (157.5 MW, VIC) and constructing the MacIntyre Wind Farm (923.4MW, QLD) and the Aldoga Solar Farm (380 MW, QLD).

ACCIONA Energía has a strong development pipeline of over 3,000 MW of wind and solar projects to support Australia's transition to a low carbon energy supply over the coming years.

ACCIONA Energía (ACCIONA) welcomes the opportunity to participate in the AEMC's ongoing consultation on Transmission Access Reform.

Priority Access

Priority Access aims to encourage projects to locate in areas where they can provide the most benefit to customers by avoiding inefficient mis-matched development in transmission and generation assets. It also aims to reduce the risks to generators in forecasting congestion, thereby reducing their cost of capital and ultimately the price of electricity.

ACCIONA remains unconvinced of the merits of the proposed Priority Access model. The inefficiencies this proposal would introduce into the dispatch process and the complexities it would introduce for developers attempting to predict the likely priority level for their pipeline projects – not to mention the likely costs for AEMO to implement the regime – means the solution is not a proportional or appropriate response to the problem statement.

'Enhanced Information' is an appropriate locational signal to promote efficiency

ACCIONA believes that the Enhanced Information program is an appropriate and proportional response to concern that future congestion is not adequately considered in project siting decisions resulting in inefficient project siting. We continue to be of the view that time should be allowed for this program to be introduced and the results observed before any more interventionist approaches such as Priority Access are pursued.

Improving early access to information regarding potential future congestion, as is the focus of the Enhanced Information program, will enable developers to factor future congestion information into project siting considerations early in the project development cycle. In this way future congestion can be better accounted for in assessing sites and feasibility.

Priority Access would reduce the efficiency of NEM dispatch during congestion

Priority Access aims to improve the efficiency of NEM operation by reducing congestion in the long term and enhancing effective competition. However, consistent with the economic theory of how NEM dispatch currently occurs under congestion and as borne out in the modelling, compared to the status quo Priority Access reduces the efficiency of NEM dispatch and results in a higher RRP.

The cost benefit analysis (CBA) commissioned to support this project makes clear that Priority Access worsens market and customer outcomes unless paired with the proposed 'congestion relief market' (CRM) to unwind the inefficiency Priority Access creates. However, ACCIONA is not convinced of the cogency of introducing a problem with one reform only to fix it with another.

The hybrid model relies on the CRM to unwind Priority Access inefficiency

The proposal sets store on the CRM undoing the harms of priority access. However, ACCIONA considers it vital that the CRM remain truly optional and that market participants are not compelled to participate simply to overcome inefficient dispatch created by priority access.

The hybrid model introduces potential for perverse incentives in bidding

The hybrid proposal also introduces the potential of perverse incentives to game bidding. Generators with the advantage in Priority Access could conceivably bid into the access dispatch in a way that causes or exacerbates congestion, without any intention of honouring those bids, and trade it away in the CRM to their benefit. Whilst it is proposed that the Australian Energy Regulator manage this risk, potentially through updated bidding guidelines, this risk is only worthwhile where benefits to consumers of the overall reform are likely to be significant. ACCIONA does not consider the case for change to have been sufficiently established.

Late allocation of priority queue positions to non-REZ generators will be ineffective

For the proposal to impact project development appropriate timing is of the essence. A particular challenge for Priority Access design is when to allocate positions in the priority queue. As identified by the AEMC there are significant challenges to allocation of queue positions early in a project's development, as so many projects may not progress, or may progress at different speeds. Such early queue allocation could be meaningless, or worse, counterproductive. However the current proposed timing is similarly fraught. This proposal is for allocation of queue positions to non-REZ generators "late in the connections process, but before the final investment decision". ACCIONA cautions that provision of locational incentives at this point of time is unlikely to be an effective means to influence investment decisions. By this stage projects are well developed with significant sunk cost and there is a strong imperative to find a route to construction.

Furthermore, we would question the ability of developers to model with confidence the impact of their position in the queue to the extent that such modelling can accurately inform investment decisions.

Congestion Relief Market

The AEMC aims to optimise bidding and dispatch during congestion, to promote more efficient dispatch outcomes and lower costs for consumers. It also aims to provide a locational incentive for demand and two-way technologies to locate in areas where they could provide congestion relief and contribute to a more efficient market.

The AEMC proposes to achieve this by implementing a new voluntary Congestion Relief Market (CRM) where participants can bid to generate or relieve congestion, which could dispatch in sequence with (sequential dispatch CRM) or be co-optimised with an access dispatch.

ACCIONA recognises the potential of CRM as a stand-alone reform – not as a hybrid with Priority Access – to increase dispatch efficiency, through providing incentives to relieve congestion.

Regarding the CRM, any support for the CRM is on the basis of it being fully voluntary to minimise impacts on existing energy contracts. It should also be kept simple to manage implementation cost and reduce the risk of perverse incentives.

ACCIONA would encourage further investigation of costs of implementing the CRM including its possible impact on financial market liquidity.

The CRM must be fully voluntary

It is critical that CRM participation is voluntary, as participation could impact existing PPAs. It risks triggering the opening of existing PPAs (due to particular clauses in the PPA) and could expose generators to basis risk. Over time as PPAs roll-off the potential is there for increased participation, as newer PPAs may be structured to allow participation in the CRM.

A fully voluntary CRM means it must be opt-in (not opt-out), and for participants who do not opt-in to the CRM, the price and dispatch they receive must not be impacted by the CRM.

Dispatch for generators not opting in to the CRM

The proposed model of a sequential dispatch of access followed by physical dispatch, appears consistent with preserving the voluntary nature of the CRM. In this design, for a participant not opting-in to the CRM, their access dispatch formed by their bid is fixed as their physical dispatch.

ACCIONA has concerns – similar to those raised by AEMO – that the co-optimised model, which simultaneously optimises access and physical dispatch, is inconsistent with a voluntary CRM, as generators not opting into the CRM could well be impacted by CRM bids.

Formulation of the RRP

Similarly to dispatch, to avoid any financial exposure from the CRM on non-CRM participants, the RRP should be the access dispatch RRP, and not from the physical dispatch post-CRM. ACCIONA is also concerned that any material change to the formulation of the RRP (such as through a formulation of the RRP dependent on the CRM in any way) has the potential to trigger re-opening clauses in PPAs.

Concern about the co-optimised dispatch model for the CRM

ACCIONA has significant concerns regarding the co-optimised model – which simultaneously optimises access and physical dispatch.

This model could mean the CRM is no longer voluntary and could well be considered to be a material reformulation of the RRP potentially triggering re-opening clauses in PPAs.

We also note the AEMC's comments that the co-optimised model will be a more complicated NEMDE implementation and that the associated system changes have not been tested or costed similarly to the sequential dispatch proposal. ACCIONA has concerns about the increased costs of this design and is unconvinced of the incremental benefit it would offer.

Conclusion

ACCIONA thanks the AEMC for the opportunity to participate in the Transmission Access Reform consultation.

We look forward to the roll-out of Enhanced Information on congestion and encourage allowing time for this to take effect prior to consideration of more complex, costly and interventionist policy.

The CRM has potential to improve dispatch efficiency, but it is critical it is voluntary and that its design preserves independence from dispatch and settlement for generators that do not opt in. Minimising implementation cost and complexity will also be key.



If you have any questions in relation to our submission or areas you would like to discuss further, please contact Michael Smythe, Director of Power Marketing on michael.smythe@acciona.com.

Yours sincerely

A handwritten signature in blue ink, appearing to read "MS", with a long horizontal stroke extending to the right.

Michael Smythe
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ACCIONA Energía



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