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Thursday, 6 June 2024

Ms Anna Collyer
Chair
Australian Energy Market Commission
Lodged online: www.aemc.gov.au

Project Ref: EPR0098

Dear Anna,

AEMC's Transmission access reform

Transgrid welcomes the opportunity to respond to the Australian Energy Market Commission's (**AEMC**) Transmission access reform (**TAR**) consultation paper. The AEMC's consultation paper outlines various design options for a transmission access reform hybrid model developed by the Energy Security Board (**ESB**) over the course of 2023 and in consultation with stakeholders.

As the NSW Transmission Network Service Provider (**TNSP**), Transgrid must plan for, build, maintain and operate the backbone of this new grid while meeting our obligations to maintain the safety, reliability and security of the transmission system in accordance with the National Electricity Rules (**NER**).

Transgrid supports the intent of the AEMC's work on access reform and specifically supports energy reforms that encourages development of:

- The lowest cost energy resources, fostering wholesale market competition and lowering prices,
- geographically dispersed renewable energy to offset high-emissions fossil fuel-based generation and,
- increased levels of storage and flexible demand to support a reliability through the transition.

The objective of any access reform should be to send efficient signals for new generation to locate in desirable parts of the transmission network to reduce unnecessary congestion of existing variable renewable energy generation facilities. At a high-level it appears that a priority access scheme does not achieve this objective without properly managing the potential harm to investor confidence and the risk this has to higher costs being borne by consumers. It is important that any reform approach to transmission access is shown to have a positive net benefit to consumers.

It is not clear whether the proposed reforms have a direct impact on the urgent need for upgraded transmission networks across the National Electricity Market (**NEM**). However given this proposed reform

suggests fundamental access regime changes, we consider that there needs to be a thorough analysis and review of direct and indirect impacts of the proposed hybrid access model and whether it achieves its intended objective.

As part of the AEMC's next steps it will be important to consider a number of potential impacts the proposed priority access and congestion relief market (**CRM**) reforms will have on the NEM and consumers. Our initial thoughts are that the proposed reform appears to be an overly complex hybrid model that has not addressed the review objectives. We would encourage the AEMC to consider the following probable unintended consequences of the proposed reform:

- Effects on regional reference prices caused by a CRM and priority access. Importantly any impact these reforms could have on settlement residues need to be thoroughly examined. In addition, the effects of the hybrid model on real time operations would need to be thoroughly examined.
- Compounded entry complexity. The proposed model appears to add uncertainty to developers, generators and investors. As the NEM transitions to renewable energy, grid connection complexity has increased. Any major changes to access reforms need to ensure that this complexity is not exaggerated given the urgent need for acceleration of new renewable and storage projects.
- State based legislation facilitating REZ's. Given states are implementing reforms in their jurisdictions, it does not appear as though this reform has considered the interaction between the various frameworks and whether it would negatively impact the progress of the transition.
- Underutilisation of network assets where a likely position in priority access discourages investment. It is important that the existing transmission network is fully utilised to improve efficiency and maximise benefits to consumers of existing investments.
- Materiality of implementation costs of the complex model given it is a fundamental change to the current access and dispatch framework. In addition, the complexity of AEMO's transition to the proposed framework.

We believe it is important that the AEMC considers whether 'priority access' is necessary or desirable to help enable the transition or whether 'priority access' is in essence a needless further complication during the transition.

We acknowledge that much work has been done by the ESB and AEMC in exploring changes to access reform, however it is pivotal that any changes to the framework needs to ensure that there is clear evidence-based modelling of the costs and benefits, and that any unintended consequence has been appropriately addressed and understood. Otherwise, it may lead to detrimental consequences on the NEM.

If reforms are progressed, it is important that the AEMC ensures that TNSPs are engaged and provided opportunity for informed input on final design elements to ensure there are no negative consequences to managing a reliable and secure transmission network. Furthermore, we believe it is important that the AEMC considers whether priority access is necessary or desirable to help enable the transition or whether priority access creates further complication during the transition. This would support the detailed and extensive design input AEMO has provided to date.

We look forward to working with the AEMC to continue to ensure that any proposed reform is fit-for-purpose and has no unintended consequences. If you or your staff require any further information or clarification on this submission, please contact Zainab Diran, Policy Manager at zainab.dirani@transgrid.com.au.

Yours faithfully



Monika Moutos
General Manager of Regulation and Policy