

1 August 2024

Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

Submitted via: <https://www.aemc.gov.au/contact-us/lodge-submission> (ERC0383)

Dear Ms Collyer,

AEMC Providing flexibility in the allocation of interconnector costs: Draft report

Nexa Advisory welcomes the opportunity to provide a submission on the AEMC's *Providing flexibility in the allocation of interconnector costs* draft determination (ERC0383). The draft report outlines the challenges of the current mechanism in allocating costs in line with 'beneficiary-pays' principle, which has delayed investment in recent projects – such as Project Marinus.

In our recent reports, we have identified the roadblocks which continue to prevent the timely transmission buildout in line with long-term consumer interests – and the costs associated with transmission delays¹ - as identified by AEMO in the Integrated System Plan (ISP)². There is a significant need for:

- a fit-for-purpose regulatory pathway - which considers holistic delivery efficiency; and
- Better national transmission planning and coordination - which sees improved transparency and accountability for the timely delivery of the ISP's Optimal Development Path (ODP).

We consider that a mechanism which allows for 'beneficiary-pays' cost allocation of nationally significant interconnector projects would constitute a simple and efficient solution. This must be achieved without creating undue political and policy uncertainty or regulatory risk. Together with certainty around coal retirement, it is critical that any rule changes provide certainty around transmission delivery and provide the market confidence required to progress the transition.

Nexa Advisory does not believe the draft rule change provides adequate certainty or confidence around the timely delivery of transmission. We appreciate the AEMC's intention that the alternative pathway mechanism (i.e., government agreements) would minimise regulatory complexity within the rules and provide transparency around such agreements. However, this ultimately increases the reliance on government intervention and the exposure to political risk within the transition, potentially resulting

¹ Nexa Advisory, [The consumer cost of transmission delays](#), July 2024

² Nexa Advisory, [We Plan and then Don't Build](#), June 2024

AEMC Enhancing the Integrated System Plan to support the energy transition Consultation Paper (ERC0395)

in unintended consequences or adverse outcomes dependent on government positioning.

As proposed, we do not see how this rule change creates any obligation or guaranteed benefit associated with improved delivery of these projects. We believe the draft rule may do little to accelerate the transition or create investor certainty.

However, there is an opportunity through this rule change to create greater accountability for state and federal governments and Transmission Network Service Providers (TNSP) to better collaborate to deliver the critical, nationally significant interconnector projects.

If this rule change were to proceed, the proposed mechanism must be paired with an obligation for state and federal governments to improve the deliverability of transmission interconnector projects. As such, any 'interconnector cost allocation agreements' should be required to be based on the network development pathways – and costs – developed through system planning by market and state government bodies. This would ensure that government agreements support interconnector projects that have been identified to contribute to the optimal development of the system, and result in 'beneficiary-pays' cost allocation for nationally significant projects which support consumers' long-term interests. This obligation would ultimately reduce the political uncertainty and potential for unintended consequences that are inherent in the mechanism as currently proposed.

Thank you for the opportunity to provide input on this rule change. We welcome the opportunity to further discuss any aspect of our submission - please contact either myself or Jordan Ferrari, Director - Policy and Analysis, jordanferrari@nexaadvisory.com.au.

Yours Sincerely,

Stephanie Bashir
CEO and Principal
Nexa Advisory