

20 September 2024

Ms Anna Collyer
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Dear Ms Collyer,

AEMO's views on AEMC's Final Transmission Access Reform recommendations

AEMO appreciates the opportunity to write this letter in response to the AEMC's final recommendations to Ministers on Transmission Access Reform (TAR). AEMO appreciates the collaborative approach during the AEMC's consideration of TAR. AEMO has been committed to working with the AEMC and industry on these considerations, both through its position on the Energy Security Board and through its support for the AEMC's work on TAR during the last year. AEMO has been actively involved in testing and inputting into the various proposals to address access reform.

AEMO's Integrated System Plan (ISP) highlights the scale of the energy transition and that it requires an unprecedented level of investment to deliver the generation and transmission required to meet emissions goals and deliver secure, reliable and affordable energy. AEMO continues to support the transmission access reform objective of promoting investment in areas of the grid where renewable output can be maximised, and inefficient congestion reduced. However, it is vital that the proposed market reforms are effective and do not make it harder to invest at a time when, as the ISP calls out, there is an urgent need for investment in generation, firming and storage.

As described in AEMO's submission to the AEMC's consultation paper, dated 5 June 2024, and based on analysis undertaken, AEMO raised questions about whether the hybrid model could deliver the reform's objectives. In particular, Priority Access led to dispatch outcomes that were hard to predict and could also result in higher pool prices. The Congestion Relief Market had some marginal benefits but would have been costly to implement and in AEMO's view was of low priority compared to more pressing reforms.

AEMO is mindful that since 2019, the policy and reform landscape has shifted dramatically, and governments are now heavily involved in supporting investment in generation and transmission to deliver the energy transition. In light of these activities, it is clear that market mechanisms are not the sole driver of a generator's investment and location decisions. If governments are facilitating the augmentation of the transmission system and helping attract investment through their REZ schemes then the benefits are already being realised and are independent of the TAR hybrid model going ahead.

Within this context, AEMO supports the AEMC's recommendations to leverage existing frameworks and processes to support the delivery of benefits through jurisdictional schemes, particularly:



- The establishment of a collaborative forum of market bodies and jurisdictions to support REZ scheme delivery by identifying and discussing common operational and planning issues that arise as REZ schemes are implemented, and
- Continuing to improve the quality and timeliness of locational information over time through the annual Enhanced Locational Information (ELI) Report. The first ELI Report was published by AEMO in June 2024 and aims to increase the transparency and accessibility of locational signals in the NEM by comparing a spectrum of locational metrics with graphic representation. This information can be particularly useful for investors and REZ delivery bodies when considering the optimal locations to build energy assets.

Should you have any further questions, please contact Violette Mouchaileh, EGM Reform Delivery.

Yours sincerely,



Daniel Westerman

Chief Executive Officer