

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

31 January 2025

Dear Anna,

**Re: Draft Determination, Improving the cost recovery arrangements for Transmission non-network options (ERC0391)**

Fluence Energy Australia, Pty Ltd (Fluence) appreciates the opportunity to respond to the Australian Energy Market Commission's (AEMC or Commission) Draft Determination for the improving the cost recovery arrangements for Transmission non-network options (NNOs) rule change.

Fluence is a leading battery energy storage solutions provider

Fluence Energy Pty Ltd is an indirect subsidiary of Fluence Energy, Inc. (Nasdaq: FLNC). Fluence Energy, Inc is a global market leader in energy storage products and services, and digital applications for renewables and storage. As of 31 March 2024, the company had deployed or contracted over 34 GWh of energy storage across 225 projects in 47 markets globally, and nearly 29 GW of wind, solar, and storage assets optimised or contracted. Through our energy storage products, services, and digital applications, Fluence is helping customers transform the way we power our world for a more sustainable future.

Australia is one of the core markets for Fluence, with high levels of renewable penetration requiring significant volumes of energy storage. Fluence is continuing to support the Australian market with several energy storage assets operational and under construction across multiple NEM regions:

- 430 MW/630 MWh utility-scale storage operational.
- 900 MW/1850 MWh utility-scale storage under construction.
- 6.4 GW of renewable assets (wind, solar and energy storage) supported by Fluence's Mosaic™ bidding software.

Fluence also has a strong track record of delivering market leading solutions to tackle some of the biggest challenges our energy systems face. We have delivered Storage-As-Transmission-Assets in the German market and are contracted for projects under the Stability Pathfinders programme in Great Britain. Fluence has also pioneered innovation in the storage industry and has previously worked with customers to secure ARENA funding to deploy grid-forming capability in the NEM.

NNOs can be a timely and cost-effective solution to help delay or prevent network augmentation

NNOs have advantages over network options, especially in the current Australian market where speed of deployment can be critical to maintain system stability and reliability. Fluence agrees with the AEMC's assessment of the role of NNOs to ensure transmission system needs are met at lowest cost as the energy system transitions to net zero. To achieve this, it's critical that the regulatory framework supports transmission network service providers (TNSPs) to implement NNOs in a timely and least-cost manner.

Internationally, Fluence has supported network businesses to deploy solutions which can be a timely, cost-effective NNO. In Germany, in 2023 we worked with grid operators TransnetBW and TenneT to build a total of 450 MW of Storage-as-Transmission Assets (SATA) to increase the utilisation of transmission lines in Germany and thereby reduce grid congestion costs.

The Draft Rule intends to improve the certainty of NNO cost recovery

Fluence recognises that NNOs do not currently have cost-recovery certainty under the regulatory arrangements. We are supportive of the proposed ex-ante *network support payment allowance* process set out in the draft rule to the extent that this approach reduces negotiation costs and delivers NNOs in a timely manner.

Fluence urges the AEMC to consider how the proposed arrangements could improve the timing and speed of negotiations and deployment of NNOs. We appreciate the AEMC's balance between certainty and flexibility for the AER. However, the lifecycle of NNO projects span over multiple revenue periods with lithium-ion batteries now offering servicing agreements of 20+ years. Therefore, the Commission's final rule should provide sufficient certainty to support the financeability of NNOs over a period longer than 5 years.

Implementation timing alignment

Fluence supports a fast implementation timeline for this rule change. As a principles-based rule change, it's critical that the AER's proposed *Network Alternative Support Payment Guideline* is produced as quickly as possible to provide regulatory certainty. Fluence understands that the AER would be required to follow the rules consultation procedures set out in NER cl. 8.9. This process involves two rounds of consultation and a total of 140 business days (roughly 28 weeks) from the publication of the first round of consultation until the final guideline. The proposed rule as drafted provides the AER 9 months to deliver the Final Guideline, which translates to almost 3 months to prepare its initial consultation. We propose that this period be shortened as much as practicable to provide regulatory certainty alongside the Final Rule.

Further changes to the RIT-T process are needed to incentivise innovative transmission solutions

Fluence supports the proposed reforms, however, we consider this rule change does not go far enough to put NNOs on a level playing field with traditional network augmentation. While the proposed Draft Rule should improve certainty of cost recovery, Fluence considers that imbalanced incentives remain between network augmentation and NNOs. Network options earn a CAPEX regulated return while NNOs are treated as OPEX and receive no rate of return. Broader reform is needed to put NNOs on a level playing field with traditional network augmentation.

We would like to thank the AEMC for the opportunity to provide feedback on the Draft Determination. We are available to discuss any of the points made above in more detail should you require. Please direct any inquiries about this submission to Sam Markham ([Sam.Markham@fluenceenergy.com](mailto:Sam.Markham@fluenceenergy.com)).

Regards,



Wilhelm Josef Van Butselaar

Vice President of Growth and Business Development, APAC  
Fluence Energy Pty Ltd