

3 December 2020

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted by email to aemc@aemc.gov.au

Project number: ERC0320

Participant Derogation – Financeability of ISP Projects

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Consultation paper from the Australian Energy Market Commission (the Commission) on Participant derogation – financeability of ISP projects

Snowy Hydro considers any changes proposed in the rule change request should advance the National Electricity Objective (NEO) by facilitating efficient transmission investment so that the proponents have the capacity to deliver on the service requirements that are demanded by consumers. It is for this reason we support the objective of the rule change to ensure that the ISP projects proceed for the benefit of consumers and the commitment to make the required investment in the energy system.

The rule change should ensure that the rules remain consistent with the objectives of the ISP and the Regulatory investment test for transmission (RIT-T). The rule change should not be the reason for ceasing early works on critical transmission projects and the impact on consumers should be assessed.

Complementing the Integrated System Plan

The Australian Energy Market Operator's (AEMO) Integrated System Plan (ISP) identifies an optimal path for the development of the transmission system to provide reliable, secure and affordable electricity to electricity consumers across the National Electricity Market (NEM). Actionable ISP projects are critical to address cost, security and reliability issues, and are either already progressing or are to commence immediately after the publication of the 2020 ISP. TransGrid notes that the consumer savings from ISP investments across the NEM are expected to be around \$11 billion over the next 20 years with the 2020 ISP stating that this benefit is the product of the least-cost development path to secure a full range of competitive energy resources¹

Snowy Hydro supports a more Actionable ISP. The ISP shows the economic benefits of increased transmission under all scenarios including the timing of some elements under different assumptions, particularly relating to the rate of change and the progress of proposed major energy storage initiatives. The ISP complements the intentions of market rule and policy changes that have been accepted by the National Cabinet as the core foundations of a smooth transition in the NEM. The growing number and types of generator connections will change the dynamics and location of new transmission investments.

¹ AEMC, Participant derogation – financeability of ISP projects, Consultation paper, 5 November 2020

The unprecedented size and scale of the ISP projects as well the timing for investments to be delivered concurrently is challenging for Transmission Network Service Provider (TNSP)'s however the regulatory framework should be fit-for purpose to provide incentives for TNSPs to run efficient businesses and ensure consumers pay no more than necessary for safe and reliable services.

Financeability in the construction phase

In line with the expectations of the NSW Government, Federal Government and AEMO, for the ISP overall, investment decisions should not be determined on the outcome of this rule change. VNI West and HumeLink need to be in place in time for the connection of numerous Renewable Energy Zones (REZ) and the completion of Snowy 2.0 in 2025. AEMO deem these projects critical to the security and reliability of the NEM and the inability to deliver these projects within the requested timeframes will place risk on the system.

Snowy Hydro recognises that the existing rules work for iterative improvements to the transmission network, however the Actionable ISP projects are of a different scale and cost, and may require different rules to facilitate their delivery. The Actionable ISP rules are designed to move beyond the current, incremental approach to transmission planning, and the current proposed rule is consistent with those objectives. It is critical that importance of the timely delivery of Actionable ISP Projects is given appropriate weight in the Commission's assessment of this rule change request.

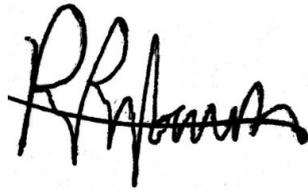
The Actionable ISP projects are necessary to enable the secure and reliable transition of the NEM, and will ultimately benefit consumers by reducing wholesale energy costs via the integration of cheaper renewables, connecting them to firming and storage technologies, and increasing interconnection and therefore competition. It is therefore important to ensure that essential ISP investments go ahead as planned. However, this rule change should not be a condition to proceed with, and should not delay the commencement of, early works on critical transmission investment. These works should be progressed in parallel to achieve the ISP timeframes. Support and underwriting of early works has been provided in order that longer-term development issues, such as appropriate financing arrangements, do not delay the commencement of the project and that TNSPs are not exposed to additional risk. Accordingly, there can be no justification for delay in these works.

Early works alone are vital in achieving the appropriate timing for transmission projects. This can include critical path investments which are needed to commence construction, such as easement acquisition or acquiring a slot in a manufacturer's queue for long lead time equipment

Snowy Hydro appreciates the opportunity to respond to the Commission on the Consultation Paper on the Participant derogation – financeability of ISP projects and any questions about this submission should be addressed to panos.priftakis@snowyhydro.com.au.

Yours sincerely,



A handwritten signature in black ink, appearing to read 'P. Priftakis', with a horizontal line drawn through the middle of the letters.

Panos Priftakis
Head of Wholesale Regulation
Snowy Hydro

