6 June 2024

Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

Electronic Lodgement: EPR0098

AEMC Consultation paper: Transmission Access Reform

Dear Anna,

Energy Networks Australia (ENA) appreciates the opportunity to provide feedback on the AEMC's Consultation Paper on Transmission Access Reform.

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

This consultation builds on previous work by the Energy Security Board based on a hybrid model comprising priority access arrangements and a voluntary congestion relief market. We understand the AEMC is working to provide final design recommendations to the Energy and Climate Change Ministerial Council (ECMC) in late 2024. Subject to agreement from Ministers the reform would move into development of draft rules in 2025.

Our views on the key aspects of these proposals are as follows:

- ENA remains concerned that priority access does not effectively meet the intended aims of the reform nor does it appear to have widespread stakeholder support, and on this basis is not supported in its current form;
- Given the relatively low capacity factors of VRE generation, moving to a model in which the risk of curtailment is increasingly borne by marginal generators connecting to the network through priority dispatch rights is likely to lead to suboptimal levels of generation development and connection. It is important that any firmer access arrangements do not create more uncertainty or risk for investors or lead to inefficiently low levels of congestion which may be more costly to consumers or inadvertently delay the transition to net zero by 2050.
- Any National Electricity Market (NEM)-wide congestion management arrangements need to be compatible with state-based Renewable Energy Zone (REZ) developments and frameworks for the orchestration of consumer energy resources (CER), including the potential for Distribution REZs (DREZ);

- Design choices need to be guided by implementation considerations, such as technical feasibility, solution time, cost and ensuring secure dispatch. This includes considering the interaction with the recently enhanced security framework and provision of essential system services;
- Any reforms need to be implemented in a manner that does not distract from or divert resources from critical reforms that are currently progressing or nearing completion, including security services, transitional services, access standards and streamlined connection processes;
- Any Rule changes that emerge from this process should be subject to full consultation.

We expand on these comments below.

Priority Access

The NEM has operated under a non-firm open access framework for network connection since its inception. While there may be benefits in moving to priority access arrangements for conventional dispatchable generation, it is not clear that a priority access model will deliver benefits in a system increasingly dominated by utility-scale variable renewable energy (VRE), primarily comprising wind and solar generation.

Under the current arrangements, the curtailment of generation in the presence of network or system limits is shared evenly across generators through equal dispatch rights. Given the relatively low capacity factors of VRE generation, moving to a model in which the risk of curtailment is increasingly borne by marginal generators connecting to the network through priority dispatch rights is likely to lead to suboptimal levels of generation development and connection. This leads to the risk of reduced output levels, lower network utilisation, constrained entry and accordingly to increased wholesale and network prices.

It is important that any firmer access arrangements do not create more uncertainty or risk for investors or lead to inefficiently low levels of congestion which may be more costly to consumers or inadvertently delay the transition to net zero by 2050. Any reforms need to be compatible with the future generation profile and have the support of developers, investors and operators to deliver bankable projects and achieve timely and efficient levels of renewable generation development.

Interactions with other frameworks

Several state governments are already coordinating new generation through the development of REZs. There has also been increased support to develop a framework that would facilitate orchestration of CER, including the possibility of DREZ developments. These developments have implications for transmission access reform and dispatch priority. Any NEM-wide congestion management arrangements need to consider and complement these reforms.

The overlay of the essential system services procurement framework should also be considered. For example, the approach of varying the bid price floor (BPF) to give

dispatch priority access to a generator based on the year of connection could also have implications for any underlying contracts for system security services.

Implementation considerations

ENA supports pragmatic design choices that will allow for faster, cost-effective implementation of reforms that benefit electricity consumers. The design choices outlined in the Consultation Paper must be guided by implementation considerations such as technical feasibility, implementation timeframes, cost and ensuring secure generation dispatch. Any reform implemented needs to be practical and workable within the AEMO systems (and impacted stakeholders) before finalising the rules and implementation dates to ensure that outsized expenditure is not required.

ENA is also mindful of the considerable work being undertaken to implement essential security services, transitional services, access standards and streamlined network connection processes. ENA is concerned to ensure that any access reform should complement and not distract from or divert resources from critical reforms needing to be progressed or being implemented.

If access reforms are to be progressed further, a number of other practical implementation issues need to be considered before design advice can be settled, as ENA has raised in previous submissions:

- The treatment of scheduled distribution-connected generation, Small Generator Aggregator (SGA) or Integrated Resource Provider (IRP) connection points should be clarified[1];
- AEMO's allocation approach for dispatch positions should be simple and relatively mechanistic, supported by guidelines that limit discretion and improve investor confidence in the process. As there is only one NEM-wide dispatch process, Ministers will need to agree on an option including how distribution connections are to be approached. To this end:
  - The AEMC should clarify the application of any priority access model adopted to non-REZ coordinated developments, such as those within Designated Network Assets (DNAs);
  - The priority access model should have sufficient flexibility to accommodate prioritisation within coordinated developments, such as REZs or DNAs under their bespoke access arrangements;
- Any priority access model should not perversely enable or incentivise parties to rush to a milestone in order to be granted priority access. Parties should be required to demonstrate a commitment to construction with any priority access granted on the basis that the connecting party must connect to the network within a certain timeframe or lose the position. These use-it-or-lose-it arrangements should be complemented by other provisions that limit the

[1] ENA note that distribution NMIs can participate in the CRM, but the paper is silent on the treatment in the PA options.

incentive to rush the queue for commercial purposes with limited commitment to timely completion of the project.

» The Congestion Relief Market residue allocation processes should be aligned with the parties who generate the residue, be simple but not arbitrary, and relatively mechanistic.

Further details on the points above can be found in our previous response[2].

If the ECMC endorses a final design later this year, we understand the AEMC plans to provide draft rules for consideration at the July 2025 ECMC meeting. We seek clarity on the intended stakeholder engagement process to follow in 2025 and confirmation that the Ministers will request an AEMC rule change process to enable full consultation rather than a S90F process.

We appreciate the opportunity to raise these issues with you. Any questions on this response should be directed to Verity Watson, vwatson@energynetworks.com.au.

Yours sincerely,

Dominique van den Berg
Chief Executive Officer

[2] https://www.energynetworks.com.au/resources/submissions/esb-consultation-paper-transmission-access-reform/