

22 May 2019

Suzanne Falvi  
Executive General Manager  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235



Dear Ms Falvi,

### **Submission to Transparency of New Projects consultation paper**

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the AEMC's consultation paper.

### **New generation for the NEM**

The National Energy Market (NEM) is in the middle of a transformation from an energy system relying primarily on centralised, fossil-fuel generation with passive demand, to one with a low- or zero-emission generation fleet interacting with more sophisticated and active demand-side behaviour. Over the decades we have seen a material increase in new generation projects seeking to connect to the NEM.

However, the existing regulatory framework was developed when a mature generation fleet and transmission system was already in operation. As such, it is better suited to incremental investment in energy infrastructure rather than delivering more strategic investments and plans such as the coordinated connection of multiple generators.

Being able to exploit such economies of scale by coordinating new generation and any consequential network or system investments would mean:

- lower connection costs overall – which are ultimately passed on to consumers through lower wholesale prices;
- potentially more low-cost and low-emissions generators being able to connect – which also leads to lower wholesale prices and faster emissions reductions; and
- the power system being maintained within safe and stable limits in the most cost-effective way – which ultimately leads to both lower wholesale and transmission prices.

### **It is unlikely for generators to be able to coordinate their connection**

Generators are rivals in a competitive wholesale market. As such they are unwilling or unable to share details with respect to financing, forecasting and other commercially sensitive information. They do not and cannot voluntarily co-ordinate to undertake joint investments in transmission capacity.

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New generation projects often face very limited timeframes during which they must meet various requirements to proceed: securing funding, planning approval, lease options, equipment, contractor availability and so on. For successful co-investment, timing for multiple different generation projects would need to align despite these projects being financially independent of each other.

The Scale Efficient Network Extensions rule (2011) was meant to capture the benefits of scale economies by building capacity for a cluster of future generation connections. However, it has yet to be used by any party for a number of reasons, as outlined by TransGrid in its experience with its Renewable Energy Hub.<sup>1</sup> Arguably, it has been proven ineffective.

The provision of connection information will not necessarily, or by itself, deliver more efficiently coordinated generation connections. However, it can form part of a broader framework for generation and transmission investment that can capture these economies of scale and scope and include components such as a whole of system planning process and mechanism for sharing the costs and risks of Renewable Energy Zones.<sup>2</sup>

### **‘Do no harm’ system strength requirement**

PIAC notes the AEMC’s 2017 rule regarding system strength obligations for TNSPs and new generation connections:

The rule allows for remediation to be provided as a service to connecting generators. However, we understand that in practice, generators are increasingly being asked by NSPs and AEMO to build synchronous condensers for the purposes of system strength remediation... This may contribute to multiple synchronous condensers being built by multiple connecting generators, resulting in a potential degree of overbuild...<sup>3</sup>

This concerns PIAC as it would not only mean unnecessarily high generation and transmission costs, but also missed opportunities for more effectively integrating higher penetrations of renewable generation across the NEM.

PIAC does not consider that the rule change proposed by Energy Networks Australia would solely address this issue. We look forward to working with the AEMC and other stakeholders to ensure the policy intent of the rule change is achieved and the transition to low- or zero-emissions generation occurs as efficiently as possible.

### **Intending Participant category**

PIAC supports expanding the current eligibility for Intending Participants to allow developers to register under this category. As noted in the consultation paper, developing a generation project and on-selling it prior to connection is becoming an increasingly common business model and explicitly creating eligibility criteria to reflect this is good regulatory practice. Furthermore, potential inefficiencies and excessive development costs could be minimised by better signalling areas where generation project development has begun. It is preferable to continuing to being shoehorned into the intending generator category or not registering at all.

However, while we support developers being given the option to register under this category, we do not support them being required to do so as proposed in the AEC’s rule change. While

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<sup>1</sup> TransGrid, *Submission to discussion paper, Coordination of generation and transmission investment*, 18 May 2018, 5.

<sup>2</sup> This framework is described in greater detail in PIAC, [Submission to COGATI Access and Charging consultation paper](#), 30 April 2019.

<sup>3</sup> AEMC, *Consultation Paper – Transparency of New Projects rule change*, 18 April 2019, 31.

registering as an Intending Participant would allow the developer to access, for instance, system information data from AEMO, it could also impose burdensome obligations and responsibilities on the developer. Mandating these obligations and responsibilities on developers may unnecessarily complicate the project development process and fail to provide benefit to the individual developers or to the market as a whole.

### **AEMO's generation information page**

PIAC supports formally recognising AEMO's generation information page to help provide greater certainty and stability of information both to the market and to AEMO. In formalising it in the Rules, we recommend only high-level principles or outcomes be prescribed in the Rules, with more technical details be laid out in a guideline, such as the data to be presented, the method of data collection and the frequency of updates.

### **Continued engagement**

PIAC would welcome the opportunity to meet with the AEMC and other stakeholders to discuss these issues in more depth.

Yours sincerely,

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