

26 May 2023

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Chair
Energy Security Board
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ESB Consultation paper: Transmission Access Reform

Dear Anna,

Energy Networks Australia (ENA) appreciates the opportunity to provide feedback on the Energy Security Board's (ESB'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.

To address congestion in the National Electricity Market (NEM), the ESB is now considering a hybrid model that combines a priority access model and a voluntary Congestion Relief Market (CRM).

ENA notes that the Enhanced Information framework will be progressed as a separate Rule change request and is not in the scope of the Consultation Paper. Transmission Network Service Providers (TNSPs) are keen to work with the ESB as the Rule change request is developed to clearly articulate and agree the information gaps and develop a reasonable and practical way forward. This could include amendments to guidelines or annual planning reports rather than amendments to the National Electricity Rules (Rules).

State governments are already doing some of the practical work of coordinating new generation with new transmission through Renewable Energy Zones (REZs). Given this has implications for transmission access, any NEM-wide congestion management arrangements will need to complement jurisdictional schemes.

ENA supports pragmatic design choices that will allow for faster implementation of reforms that will benefit electricity consumers. The proposed Rules-required review of the hybrid model following its implementation should provide the opportunity to assess potential further refinements to the market design. Many of the design choices canvassed in the Consultation Paper will need to be guided by implementation considerations, such as technical feasibility, solution times and ensuring secure dispatch.

The draft Rules that will support the hybrid solution should provide sufficient flexibility on design aspects that may be the subject of further testing for implementability by the ESB and Australian Energy Market Operator (AEMO). Among other things, this will ensure any computational challenges can be resolved

appropriately without unintended consequences for other aspects of the market design. This is particularly important given the reforms still under consideration.

ENA acknowledge that the AEMC has recently announced a change of approach and a delay in the final determination of the OSM. The impact of these revised arrangements will need to be considered in this reform.

In summary, ENA:

- » Recommends the treatment of scheduled distribution-connected generation, Small Generator Aggregator (SGA) or Integrated Resource Provider (IRP) connection points be clarified in advice to Energy Ministers and before moving into a Rule drafting phase;
- » 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. Such guidelines should also clarify how jurisdiction-specific arrangements (e.g. state-based planning and access frameworks) will be accommodated;
- » Suggests the ESB clarify the application of the priority access model to non-REZ coordinated developments, such as those within Designated Network Assets (DNAs);
- » Recommends the priority access model has sufficient flexibility to accommodate prioritisation within coordinated developments, such as REZs or DNAs under their bespoke access arrangements;
- » Recommends clarification on the impacts on Network Service Provider (NSP) connection processes under the Rules and on open access arrangements more broadly;
- » Supports the dispatch position being locked in once the performance standards letter under Rule 5.3.4A is available;
- » Recommends any dispatch position locked in should be 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 incentive to rush the queue for commercial purposes with limited commitment to timely completion of the project;
- » Welcomes clarification on the interaction of the hybrid model and the Operational Security Mechanism (OSM) or alternative arrangements to ensure appropriate outcomes for the power system and consumers;
- » Recommends that the CRM residue allocation processes should be aligned with the parties who generate the residue, be simple but not arbitrary, and relatively mechanistic;
- » Recommends that the advice to Energy Ministers should clarify that regulated interconnectors are not in the scope of the priority access model;
- » Agrees there should be a Rules-required review of the performance of any new arrangements implemented, but considers more than three years may be required to provide sufficient time to gather and analyse evidence.

More details on some of these points is provided below.

Priority access model – application to all connections

ENA recommends that any preferred models should not introduce a bias for new generation between transmission or distribution connection in relation to priority access. We acknowledge Appendix B in the Consultation Paper outlines implications of other reforms, such as OSM and Scheduled Lite, and note the

Integrated Energy Storage System (IESS) reform will be in place before the proposed hybrid model is implemented.

While the Consultation Paper has a transmission and generation focus, ENA recommends the ESB clarify the priority access model's treatment of:

- distribution-connected units, including Scheduled-Lite units and orchestrated distributed energy resources;
- SGA and IRP connection points; and
- non-scheduled generation units.

The volume of National Meter Identifiers (NMIs) or Dispatchable Unit Identifiers (DUIDs) across the NEM that could form part of the priority access model, together with the proposal for zonal aggregation of scheduled-lite units, could influence design choices, such as aggregating to tiers or time blocks. We reiterate our offer to organise meetings with our DNSP members on how the Scheduled-Lite reforms could affect other initiatives.

ENA also suggests the ESB clarify the application of the priority access model to non-REZ coordinated developments, such as those within DNAs.

Priority access model – allocation process and flexibility for the range of models

ENA considers that AEMO should allocate dispatch positions on request by the relevant NSP or REZ coordinator for any non-REZ coordinated developments. 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. Such guidelines should also clarify how jurisdiction-specific arrangements (e.g. state-based planning and access frameworks) will be accommodated.

ENA acknowledges that implementation within the NEM Dispatch Engine may require grouping or tiering of dispatch positions to address computational challenges. We also encourage the ESB to explore situations in which priority access arrangements can be implemented in circumstances other than when two or more generators bid at the market price floor.

We recommend the priority access model have sufficient flexibility to accommodate prioritisation within coordinated developments, such as REZs or DNAs, under their bespoke access arrangements. This could allow contractual priority for access to the energy market in support of a DNA's access policy or the development of scale-efficient infrastructure in REZs to reduce overall costs to consumers and reduce impacts to landholders and communities. In particular, the ability to offer different access arrangements to different REZ proponents, who in turn may place different value on potential congestion, will be important to encourage the development, underwriting and utilisation of scale-efficient REZs. ENA appreciates this would need careful consideration regarding secure dispatch configurations and the relationships between the energy market, OSM and CRM.

ENA notes that zonal or regional application of priority access provides greater flexibility as the energy system evolves and could be used to implement jurisdictional scheme priorities. However, we acknowledge this may also add to implementation costs and require periodic review as the network and generation topographies change.

Priority access model – impacts on NSPs connection process

The earlier Directions Paper mentioned the potential impact of transmission access reforms on connection processes, but the Consultation Paper has not provided further details. ENA recommends clarification on the impacts on NSP connection processes under the Rules and on open access arrangements more broadly.

ENA supports the dispatch position being locked in once the performance standards letter under Rule 5.3.4A is available. Any dispatch position locked in should be 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 incentive to rush the queue for commercial purposes with limited commitment to timely completion of the project.

Congestion Relief Market

The Consultation Paper proposes three options for the allocation of settlements residue from the CRM. As the voluntary CRM will predominantly benefit generators, ENA recommends any process for allocation of CRM settlements residue should only involve parties who generate the residue and be based on CRM trading volumes. This approach would be simple, but not arbitrary, and relatively mechanistic to enable straight-forward implementation by AEMO in the weekly settlements process.


ENA suggests that option 2, which would seek to allocate CRM settlements residue to TNSPs, would introduce a new source of revenue volatility for TNSPs and in turn could induce further volatility in prescribed transmission prices.

Interaction with OSM to benefit consumers

ENA welcomes the ESB's comments on the interaction of this reform with other initiatives such as the proposed OSM (and any alternative arrangements that may result from this process), the Scheduled-Lite reforms and the IESS arrangements. As the OSM or its alternatives may impact energy market dispatch and CRM arrangements, ENA requests the ESB address whether there will be co-optimisation between the OSM and CRM to address the possibility for the OSM to commission additional security services to support higher levels of dispatch of lower-cost generation in the energy market and/or the CRM.

Any questions on this response should be directed to Verity Watson, vwatson@energynetworks.com.au.

Yours sincerely,



Dominic Adams

General Manager - Networks