



CMM TECHNICAL WORKING GROUP

MEETING NOTE

Thursday 23 June 2022 (2-5pm AEDT)

Chair: Neil Gibbs

Attendees: Marilyne Crestias (CEIG), Manas Choudhury (Edify), Shevy Moss Feiglin (AGL), Jonathan Myrtle (Hydro Tasmania), Connie Liang (Ark Energy), Brian Spak (ECA), Marghanita Johnson (AAC), Anthony Rossiter (Powerlink), Andrew Richards (EUAA), Robert Pane (Intergen), Martin Hemphill (RES), David Heard (ECA), Bill Jackson (Electranet), Sarah-Jane Derby (Origin), Laura Walsh (Ausnet), Dan Mascarenas (Alinta), Tom Gibson (OnLine Power), Ben Davis (ESB), Amanda Sinden (ESB), Jess Hunt (ESB), Josephine North (ESB), David Swift (ESB), Kirsten Hall (ESB), Arista Kontos (ESB)

Apologies:

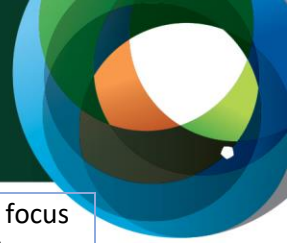
Time	Topic	Key points/action items
2:00	Welcome, objectives & agenda	
2:10	Discussion of submissions received to transmission access reform consultation paper	<ul style="list-style-type: none">• The ESB provided an overview of submissions to the consultation paper.• The group discussed the CEIG's proposal whereby the queue number would take precedence over generator coefficient in dispatch.• Action: ESB to obtain expert advice on whether the CEIG's modified access model would reduce dispatch efficiency.• The group discussed whether there may be merit in rounding generator coefficients when they are very marginal. Some suggested there would be merit in this independent of these reform considerations.• With respect to the connection fee model, it was noted the size of the connection fee should be known before investors have spent a lot of money on an unviable project.• The group discussed whether the congestion relief market would prevent disorderly bidding. It seems likely that generators would continue to disorderly bid in their "energy" bid, however, as actual dispatch reflects the outcomes of the congestion relief market, the disorderly bids would not result in inefficient dispatch outcomes. Instead, the impact of the



		disorderly bids would be to reallocate revenue between generators.
3:00	Key considerations in the design and application of connection fees	<ul style="list-style-type: none">• The ESB presented its slide pack on connection fees.• The group discussed how to determine the efficient level of congestion. It was noted that dynamic price modelling is challenging and estimates of SRMC may be preferable.• The group also discussed the potential for challenges associated with lumpy transmission investment. It was suggested that there would be value in clarifying upcoming limits on hosting capacity, so that project proponents could tailor their projects to avoid triggering expensive upgrades. For instance, a schedule of connection fees could show the staggered level of costs applied to different project sizes e.g. one level of connection fee (\$/MW) might apply to 100MW project, but a higher connection fee (\$/MW) might apply to a 250MW project.• It was noted that in certain circumstances, run-back schemes can be an effective tool to increase the hosting capacity of the network (noting that runback schemes are intended to operate during contingency events).• The group discussed whether the connection fee approach would be effective in improving investment certainty, given that some generators may elect to pay the high fee. It was suggested that the revenue associated with connection fees could be used to directly compensate affected incumbent generators.• It was noted that the arrangements for determining connection fees should not be so complex as to slow down the connection process.• The group discussed how the connection fee methodology would apply to storage. Modelling the congestion impact of storage could be complex, or require simplistic operating assumptions (e.g. cycle once per day, maximizing revenue from energy arbitrage) or it could be assumed that storage and flexible load never contributes to congestion.• It was noted that consideration should be given to how the connection fee might impact investor siting in light of the range of connection costs for new investors. The group discussed how sequencing of projects might be managed (if needed), and how a party would secure a place in any sequence.• It was noted that the connection fee should be designed in a way that does not act to penalise investors for investing in a given network location earlier than is contemplated by the ISP.• The group discussed the timing of payment of connection fees. It was noted that the fees could take the form of a regular



		<p>payment rather than an up-front charge during the connections process.</p> <ul style="list-style-type: none"> • It was queried whether implementing the CMM in operational timeframes (which addresses the ability of a new entrant to take the wins and improves sharing of congestion costs) would mean there was no longer a need for up-front locational signals in the form of connection fees. • The complexity of Cost Reflective Network Pricing was noted; transparency would be a key challenge. • The group noted some important questions: How would storage and other controllable plant be treated? Would connection fees be determined annually, or at a point during the connection process? What is the link to a possible batched connection process? Who is responsible for the elements of the scheme?
3:50	Break	
4:00	Key outstanding questions for resolution	<p>The group identified the following outstanding questions: for consideration, in addition to those outlined in the paper:</p> <ul style="list-style-type: none"> • Does the CEIG's proposed approach to generator coefficients reduce dispatch efficiency? • Which models will be included in the ESB's cost benefit analysis? Will the cost benefit modelling be used to guide model selection? • Is some form of grandfathering available to generators who have already made a voluntary contribution to shared transmission costs? • Does a congestion-sharing approach under the CMM provide strong enough locational signals to prevent inefficient investment? • What is the impact of the various models on the cost of capital? • What is the impact of the various models on the connections process?
4:30	Approach to next phase of TWG activity	<p>The ESB outlines its intent to split the work into three strands: investment timeframes, operational timeframes and modelling.</p> <ul style="list-style-type: none"> • The ESB has hired NERA to help clarify in the impacts of different models (and different design choices within the models) on various market participants. The ESB noted that a lot of work has been carried out in previous policy processes to understand the benefits of the reform; the ESB does not seek to duplicate this work, but rather focus on necessary adaptations to that modelling. • The ESB intends to ask the TWG to provide advice on what inputs assumptions and sensitivities NERA should use in its modelling exercise.



		<ul style="list-style-type: none">• The ESB indicated, in the first instance, it planned to focus on understanding whether the CRM could be made to work in a way that meets the access reform objectives and to be implemented at reasonable cost.• The ESB would also work up the connection fee model in more detail as this model is less developed than the alternatives.• Some group members expressed disappointment that the ESB intended to focus on the CRM, not the CMM. The ESB explained that the intent was to understand whether the CRM is able to deliver the same (or more) net benefits than the CMM, and that the CMM would continue to be progressed in case the CRM is found to have lower net benefits.
5:00	Meeting close	