CMM TECHNICAL WORKING GROUP
MEETING NOTES

Thursday 13 October 2022 (2-4pm AEST)

Chair: Neil Gibbs (Online Power)

Attendees: Amanda Sinden (ESB), Alex Sundakov (Castalia Advisors), Anthony Rossiter (TBC), Ben Davis (ESB), Bill Jackson (ElectraNet), Cameron Potter (FFI), Connie Liang (Epuron), Con Van Kemenade (UPC), David Heard (Finncorn), Dave Smith (TBC), David Swift (ESB), Jack San (AusNet Services) Jonathan Myrtle (Hydro Tasmania), Jess Hunt (ESB), Jordan Nelson (Castalia Advisors), Manas Choudhury (Edify Energy), Marilyne Crestias (Clean Energy Investment Group), Mim Balcombe (ESB), Sarah-Jane Derby (Origin Energy), Tom Gibson (Online Power), Tom Livingstone (ESB), Tom Walker (AEMC).

Time	Topic	Key points/action items
2:00	Welcome, objectives & agenda	• Neil Gibbs opened the session and provided an overview of the session agenda.

2:05	Approach to Directions Paper – working paper for discussion	• The ESB provided an overview of the key elements of the hybrid model and the framing of the Directions Paper.
		• The TWG noted:
		  ○ Acknowledged the delay in modelling and requested updated timing for CRM and CMM modelling.
		  ▪ **Action: ESB to hold a TWG session once ESB is in receipt and has reviewed the modelling outcomes for the input into the paper.**
		  ○ There are additional benefits derived from CRM. However, this is subject to modelling outcomes as well as a full assessment of the design considerations.
		  ▪ The ESB noted that the modelling exercise will work out the revenue flows through-out the NEM. It won't be a full cost-benefit analysis.
		  ▪ Some of the modelling challenges identified include counter price flows, disorderly bidding. Modelling will be released once the ESB ensures the answers are dependable.
		  ○ A group member questioned whether the preferred hybrid model was intended to reflect what the TWG supports. The ESB said that this was not the intent and given the diversity of views among stakeholders, consensus was unrealistic.

		○ The group discussed the role that LGCs may have on generators' incentives to participate in the CRM. Generators that choose to sell congestion relief could potentially forego their entitlement to LGCs. ○ Having generators consider the contract position into the CRM – is one of the upsides to the strategy inc. participation factors. Noted that this is already being considered by spot traders at major retailers today.
2:30	Calibrating the scheme to balance the interests of new entrants and incumbents	• The ESB provided an overview of the MURAL exercise and requested inputs from the TWG. • Post the MURAL exercise a discussion was held with the following points raised by the TWG: ○ On grandfathering – it was noted that it will create inefficiencies in the queue model. It will be difficult for incumbent generators to pay or allocate positions for less than full-capacity or ask to pay. ○ The group discussed how the model would deal with changes that will impact queue numbers. E.g., what might be the impact of the planned 500KV line in Queensland? The ESB noted that there were a range of options for how changing network conditions were reflected in the grandfathering arrangements. ○ Is it worth making a distinction between foundation generators and those who are incumbents (no contribution to current infrastructure) – will they have shorter-time frames for access? ○ The impact of the various options on individual generators will depend on how much congestion they face today. It was noted that there is not a lot of thermal congestion at present. However, it will be important to understand congestion in the future as this potentially increases. ○ The group discussed options where grandfathered rights are time-limited. For instance, after ten years, generators could revert to the status quo (effectively moving to the back of the queue). The group discussed whether this treatment would send the right signals. ○ A hypothetical was proposed - what happens if there was no end date? It is not tied to the asset but a right you can trade/purchase in perpetuity? Will it increase in value because they are tradeable? The right will depend on the profile and location of network, and it will impact different constraints. It was noted that queue positions are difficult to trade given their bespoke nature.

		○ Limitation on duration – noted as a limited issue – if you have a queue position for 10-years it provides revenue certainty for the asset to improve revenue certainty/dispatch risk.
2:50	Options to reduce congestion impact of projects	• The ESB provided an overview of the options under consideration for how a connection applicant could pay to mitigate their congestion impact, and in return receive an improved queue position and/or a discount on their fee. • The TWG noted: ○ If a generator invested in storage, it won't necessarily be there all the time to relieve congestion. Shared transmission will mean there is more confidence that it could be a useful part of the framework. ○ The DNA framework establishes a mechanism to support generator funded transmission in radial network extensions. It's hard to achieve in meshed network typologies as it's hard to predict flows. ○ TNSPs have supported generators receiving something in return for supporting an augmented build. Generator funded augmentations occur infrequently under the current rules given the freeloader issue. It will be important to make sure you have priority access and reasonable confidence your contribution will be rewarded through time.
3:10	Interactions with the connection process	• The ESB provided an overview of the different interactions that may occur across the connections process. • The TWG noted: ○ The earliest you could get a queue position would be from the start of the connection process. The rules allow for a timeline to be setup at that point. ○ Is there potential to leverage a recoverable bond? In this case, the proponent could be reimbursed if they were successful in their connection. The bond reflects a level of commitment to the project.
3:35	Treatment of out-of-merit generators and scheduled load	• The ESB provided an overview of the options for the treatment of out-of-merit generators and requested additional feedback within the MURAL tool. • The TWG noted: ○ It is important that the participant is in charge of their bid. ○ If there's a commercial impact to organisations – they'll pay attention. To that extent where the market is efficient

		is primary focus. Following this, a regulator that establishes the processes within regulatory frameworks will need to comply with the rules. ○ Participants take bidding compliance seriously. Larger organisations will combine compliance with reputation.
4:00	Next Steps, Meeting close	• Neil Gibbs closed the session and reiterated the actions to be taken on both directions paper and accompanying modelling exercise.