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Chair
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Transmission Access Reform – Directions Paper

Alinta Energy welcomes the opportunity to comment on the ESB's directions paper on transmission access reform.

As an active investor in energy markets across Australia with an owned and contracted generation portfolio of nearly 3GW and more than 1.2 million electricity and gas customers, we have a keen interest in the development of new transmission to support the NEM's transition.

We support the need for reform to efficiently address the growing challenge of integrating variable renewable generation into the transmission grid, while maintaining incumbent access rights and encouraging investment certainty for generation proponents.

Alinta Energy appreciates the engagement and consultation process that the ESB has undertaken to date through its technical working group and subsequent workshops held since the release of the directions paper. We are concerned however that while the hybrid model vastly improves on previously rejected models for transmission access and congestion management, National Cabinet Ministers will commit prematurely to the hybrid model (at their March 2023 meeting) before the full implications of its complexity are modelled and quantified.

We understand that NERA Economic Consulting has been engaged to undertake modelling of design choices over the operational timeframe. To date, stakeholders have not had the opportunity to review this information in responding to the directions paper. Such information will greatly assist stakeholder understanding of the costs and benefits of the hybrid model (and design choices within it) identified.

We recommend that definitive recommendations on a model to officials and Ministers be delayed until detailed modelling of the hybrid model (and design choices within it) are evaluated and understood by stakeholders given the significance of this reform on future investment in the NEM to support the transition to a low carbon intensity energy market. Realistically, a preferred model to meet the objectives of transmission access reform will take until later in 2023 to be assessed and socialised among market participants, consumers and investors in the NEM.

Given the significance of transmission access reform to future investment, its role in supporting the development of renewable energy zones and maintaining system security and reliability, it is critical that all stakeholders have the greatest confidence possible on the consequences of the chosen model.

Specific comment on hybrid model and design choices

Priority access vs connection fees

The hybrid model itself presents the alternatives of queuing (priority access) and connection fees within the investment timeframe. While both appear to have merit, the signals associated with prioritisation involve changes to constraint coefficients and significant uncertainty how these will change over time as new entry impacts incumbents within and outside of a REZ. And while a congestion fee approach may be simpler, this approach also carries with it significant uncertainty.

Without further quantitative analysis, it is difficult to provide meaningful comment on the advantages and disadvantages of a priority-based approach. The examples provided by the ESB in various technical workshops since the release of the directions paper have assisted in developing understanding of how priority access with queuing might function in practice, but quantitative modelling and simulation of the full operation of the hybrid model would provide a better understanding of theoretical outcomes versus the counterfactual of the status quo and any net benefits that may arise.

Congestion Relief Market and Congestion Management Model

We support the development of thinking by the ESB on how the CRM might operate but retain reservations in relation to the way it will impact the energy only dispatch model that has been the central feature of the NEM since its inception. The impact of "CRM participants" making adjustment bids reflecting their locational marginal price and how the feedback loop of this run has consequences for the energy-only dispatch is unclear at this stage. It is unclear the extent to which such co-optimisation will produce volatile outcomes for generators located inside a REZ, outside a REZ or across interconnectors, or whether they are CRM participants or not.

Further detailed analysis and examples – featuring dispatch over time rather than hypothetical 5- or 30-minute intervals – would help illustrate the impact of CRM optimisation with energy-only physical dispatch.

We do not believe the congestion management model should be retained as a fall back should the cost and complexity of the CRM prove challenging and further development work would be necessary by the ESB, policy makers, AEMO and stakeholders. Revisiting previously rejected models for transmission access reform should be not an efficient approach to addressing its objectives.

Alinta Energy supports the voluntary nature of the CRM. Its value to participants will be measured by the level of voluntary engagement and the opportunities it may present to different market participants. Voluntary participation makes fall back options such as the CMM redundant.

Scope of hybrid model

Alinta Energy believes that scheduled and semi-scheduled generation should be in scope in the hybrid model. Managing non-scheduled generation in the context of a hybrid energy-CRM model may require monitoring as suggested in section 5.5 of the directions paper. This might include a review of the 30MW registration threshold and lowering it.

Priority access and incumbency

Absent of further alternatives being suggested, we support option 1 in assigning priority access for incumbent generators (queue position expiring after a specified date – e.g., ten years or on retirement of a generator). Other options either do not account for incumbency and threaten investments previously made in good faith (options 2 and 3) or add significant complexity, uncertainty and administrative costs (options 5 and 6).

We would welcome further discussion of this response with the ESB, please contact David Calder (David.Calder@alintaenergy.com.au) in the first instance.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Jacinda Papps', written in a cursive style.

Jacinda Papps
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