Enel Green Power Australia Pty Ltd
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5 January 2023

Ms Anna Collyer
Chair
Energy Security Board

Lodged via email info@esb.org.au

Dear Ms Stark and Senior Government Officials

Submission in response to ESB Transmission access reform Directions paper

Enel Green Power welcomes the opportunity to provide a submission in response to the Transmission access reform Directions paper.

About Enel Green Power

Enel, which celebrates its 60th anniversary in 2022, is a multinational power company and a leading integrated player in the global power and renewables markets. At global level, it is the largest renewable private player, the foremost network operator by number of end users and the biggest retail operator by customer base. The Group is the worldwide demand response leader and the largest European utility by ordinary EBITDA[1]. Enel is present in 30 countries worldwide, producing energy with around 92 GW of total capacity.

Enel Green Power, within the Enel Group, develops and operates renewable energy plants worldwide and is present in Europe, the Americas, Africa, Asia and Oceania. A world leader in clean energy, with a total capacity of around 56 GW and a generation mix that includes wind, solar, geothermal, and hydroelectric power, as well as energy storage facilities, Enel Green Power is at the forefront of integrating innovative technologies into renewable energy plants.

[1] Enel's leadership in the different categories is defined by comparison with competitors' FY 2021 data. Publicly owned operators are not included.

Enel Green Power entered the Australian market in 2017 with the construction of one of Australia's largest solar plants, Bungala Solar Farm, located in South Australia. Our Australian operations now include three solar plants with a consolidated capacity of around 310 megawatts (MW). In 2022, Enel Green Power commenced construction of our first wind farm in Australia, with a capital investment of over $200 million and a 12-year power purchase agreement with BHP. Early this year, Enel Green Power will commence construction of a solar farm project in Victoria, with a capital investment of over $130 million. Furthermore, Enel Green Power has a significant pipeline of wind and solar projects under development across Australia. To learn more about Enel Green Power in Australia and our projects in the pipeline, please visit www.enelgreenpower.com/countries/oceania/australia.

Overview

We support Clean Energy Council's recommendations to the ESB. In addition, we have the following observations:

- It's unclear how the proposal will strike a balance between attracting new investment in renewable generation and congestion relief
- Locational Marginal Price (LMP) will introduce basis risks for generators, driving up electricity costs

Reforms must not deter investment in renewables

We note the investment timeframe proposals, including congestion fee and priority queueing, are designed to deter investment in congested network areas. Given curtailment level is anticipated to increase, more network areas will be subject to congestion. As such, these proposals will prioritise the interest of existing generators, over the need for rapid renewable transition of the grid.

Like the Clean Energy Council, we support the ESB's "enhanced information" proposal in the investment timeframe.

LMP will introduce basis risks on generators

The ESB has noted the importance of Regional Reference Price (RRP) for generators and retailers to manage financial risks. The proposed Congestion Relief Market will result in some generators being subject to LMP. Due to the design, retailers and energy users will not likely be subject to LMP.

In the United States, where LMPs can be found in several markets (e.g. Texas and California), the system operators run centralised Congestion Revenue Rights markets. These markets assist both generators and energy users to manage their financial risks to LMP.

Without a Congestion Revenue Rights market, the Congestion Relief Market may distort the current contract market and will result in one party or both parties taking on more risks, the costs of which will be passed on to electricity consumers.

We encourage the ESB to conduct a full cost and benefit analysis of introducing LMP, including the costs of addressing financial risks for both generators and energy users.

Please feel free to contact Chester Li, Regulatory Affairs Manager, on 0400 114 904 or chester.li@enel.com to discuss anything we have raised in this submission.

Yours faithfully,

Werther Esposito
Managing Director
Enel Green Power Australia