SUBMISSION

ESB TRANSMISSION ACCESS REFORM DIRECTIONS PAPER
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EUAA
Energy Users Association of Australia

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

The EUAA supports the pursuit of net zero targets and seeks an energy transition that is least cost and where costs and risks are shared equitably amongst all market participants. Unfortunately, we often see policy and regulation developed that has the effect of transferring market participant risk to consumers and where costs are moved from competitive markets into regulated environments. We must reverse this trend if the transition to net zero is to be achieved at least cost to consumers and where consumer social license is maintained.

Thank you for the opportunity to make another submission on Transmission Access Reform. As we have said in previous submissions, efficient transition and management of our energy system will require close coordination between new entrant generation and efficient levels of transmission infrastructure. We had long-hoped that transmission access reform, in its many guises, would deliver a more equitable cost and risk sharing arrangement, but alas that has not come about to any meaningful extent.

Regarding the current state, given the scale and rate of change it is clear a new approach is required to manage congestion that delivers fair and equitable treatment of generators who have connected to the shared network in good faith while balancing the needs of generators wanting to connect to access the available renewable resource.

Unfortunately, from a consumer perspective the existing approach of some stakeholders of "build, constrain, complain" in the expectation that governments and/or consumers will simply fund the never ending deployment of transmission so that every megawatt hour of green energy can be dispatched is unsustainable, unfair and does not result in an efficient level of transmission.

It should be remembered that a certain level of congestion represents an efficient outcome given it would be inefficient (both from a market and consumer perspective) to build a transmission system that allows 100% of capacity in a region to be dispatched 100% of the time as this would result in an over-built network that sits idle for long periods of time.

This outcome would not be consistent with achieving the National Energy Objective (NEO) being:

"to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers…"

We are also concerned that some stakeholders do not appear to see consumers and therefore the NEO as being important and that the needs of others in the energy supply chain should take precedence in system design choices. We strongly disagree with this view and hope that the ESB and energy ministers focus their full attention achievement of all aspects of the NEO.

DESIGN CHOICES

Some may describe the Transmission Access Reform journey as thorough, others may call it exhausting and frustrating. What is clear to us is that after many years of glacier like progress there has certainly been no end of discussion of various design choices. We feel that alternative models of access reform that have been pursued by a range of stakeholders have been extremely well ventilated by the ESB, who in our view have made considerable concessions in the interest of working towards a solution to access reform that has the least amount of objection while still trying to achieve some of the initial reform objectives.

This has resulted in the Hybrid Model proposed in the Directions Paper. Our view is the Hybrid Model represents a highly diluted version of original access reform models, which is something of a necessity given the diverse range of views and the need to accommodate a multitude of jurisdictional schemes.

At this point in time, these jurisdictional schemes appear to be the dominant force as they head down a path of massive infrastructure spending, in particular on state based REZ's, that will provide ample consumer funded infrastructure for new entrant generators. Therefore, the impact of the proposed hybrid model may not be as profound (both positively and negatively) as stakeholders may be anticipating. In this environment, a trimmed down, simpler approach that has been put forward by the ESB may be warranted.

Given this, our view of the proposed Hybrid Model is:

1. We conditionally support the congestion relief market, recognising that unintended consequences such as the impact on PPA's between generators and energy users have still not been resolved to the satisfaction on many. Additionally, concerns continue to be raised regarding the impact on market liquidity (if multiple nodes separate from the RRP) leading to increased risk and the resultant impact on wholesale electricity prices. However, compared to the current circumstances of elevated electricity prices these cost impacts may be minimal by comparison.
2. We support the provision of enhanced information to help facilitate better decision making of new entrant generators. Of course, provision of information on its own will not end up in less congestion as stakeholders have a differing risk threshold and, in any case, may simply continue to pursue the "build, constrain, complain" philosophy and rely on a political solution to their self-inflicted constraint. We hasten to add that not all stakeholders act in this way and that those many stakeholders who act responsibly should not suffer due to the irresponsible actions of others.
3. We support the congestion fee model as it is consistent with a long held EUAA view that the cost of new transmission should be shared more equitably between consumers, new entrant generators and governments. We note the Queensland approach to REZ funding will see generators initially pay for REZ's with cost recovery from consumers via the competitive wholesale electricity market. we fully support this approach.

In any approach we must be seeking to ensure that a "causer pays" philosophy is adopted such that those who are causing additional infrastructure spending first and foremost are the ones who bear the risk and cost. Equally, those that can help avoid additional spending or deliver a more efficient outcome for consumers (i.e. battery storage) should be encouraged and rewarded.

We should also be seeking more market based solutions rather than assuming that a regulated pricing approach will deliver consumer value. We see elements of these approaches in the Hybrid Model and encourage the ESB and energy ministers to push further down this path.

Once again, thank you for the opportunity to make this submission. Do not hesitate to be in contact should you have any questions.

Kind regards,

Andrew Richards
Chief Executive Officer