



Energy Security Board
Level 15, 60 Castlereagh Street
Sydney NSW 2000

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By e-mail: info@esb.org.au

Transmission Access Reform – Consultation Paper

Alinta Energy welcomes the opportunity to comment on the Energy Security Board's consultation paper on transmission access reform.

Alinta Energy is an active investor in energy markets across Australia with an owned and contracted generation portfolio of over 3,300MW and more than one million electricity and gas customers. Reform of transmission access will impact existing and new entrant market participants and it is critical that the reforms maintain investor confidence as the energy system transitions to a lower carbon generation fleet.

General comments

The consultation paper sets out the hybrid model design following consultation on the ESB's directions paper in late 2022. The design choices and policy options in relation to priority access and the congestion relief market will determine the effectiveness of the reform in avoiding congestion and providing signals for investors to locate new entrant generation in the most efficient way.

The hybrid model is an improvement on previous iterations of transmission access reform and reflects the work of the ESB and its consultation with members of its technical working group over the past 12 months. We reiterate the view put in our response to the directions paper that further detailed modelling of the preferred model and worked simulated examples with the existing and hypothetical future fleet of generations would support understanding of how the hybrid model would operate in practice. We support the elimination of the congestion management market as a 'fall back' option to the congestion relief market. We welcome the ESB's commitment to provide further worked examples as discussed in the consultation paper.¹

While we retain reservations about the uncertainty of how the hybrid model would operate in practice and its long-term impact on the market, Alinta Energy acknowledges the existing open-access regime will result in significant challenges for incumbent and new entrant generators if retained.

¹ Energy Security Board (2023), *Transmission Access Reform consultation paper*, page 49.

Priority access

In relation to the prioritisation of access, Alinta Energy believes a queue approach has advantages over the alternative of centrally determined tiers. The mechanical nature of a queue avoids the risk of subjective judgements that might be made under the centrally determined approach undertaken by an 'authority'. We understand the degree of 'hardness' or 'softness' applied to priority access needs to be considered to allow a feasible and practical solutions to the NEM dispatch engine (e.g., the prevalence of constraint violations), but the hybrid model needs to provide for harder priority access to the greatest extent it can.

The queuing approach to priority access provides a transparent and easily understood signal for incumbent and new entrant investors in generation and avoids the uncertainty that may emerge under the centrally determined model.

A further approach to manage the degree of hardness or softness to assigning priority access would be to assess the degree to which new connections support system strength. For example, if a proponent's generator could support scheduling via a battery or storage and contribute to system strength in dispatch, the ESB should seriously consider this as a factor in assigning queue dispatch priority.

This would allow priority access to be assigned at the 'harder' end of the spectrum adding a further variable to distinguish dispatch priority and increase the likelihood that the NEM dispatch engine can resolve feasible solutions for each dispatch interval.

Duration of priority access

Alinta Energy believes longer duration of priority access should be incorporated into the hybrid model as it more effective at addressing the risk of the problem of cannibalization, one of the issues that transmission access reform seeks to resolve. Furthermore, to the extent a connection point is repurposed (for example the installation of scale energy storage at the same connection point as a retired generator), priority access should continue.

The same principle of long duration priority access should apply to legacy generators. Alinta Energy does not believe this approach will encourage a rush to inefficient generation investment; potential new entrants will have the benefit of understanding their assigned priority depending on where in the transmission system they connect and will have access to enhanced information to make decisions that best support their business case.

Congestion relief market

Alinta Energy strongly supports voluntary participation in the CRM. The National Electricity Law and Rules need to make clear that CRM participation will always be voluntary and support participant opt-in and opt-out of the CRM. If participation in the CRM is limited, or limited to specified areas of the transmission network that are constrained, this should not be used as a basis to make participation mandatory. Non-participation in the CRM is a signal that participant trading behind a constraint is not required.

We do not believe that once opted-in, participants should not be able to opt-out in order to simplify the managements of the opt-in/opt-out process, even if this can be addressed through the submission of null bids by those who have opted-in but no longer wish to participate.² Process simplification for the Australian Energy Market Operator should not determine policy

² Energy Security Board, op. cit., page 64.

decisions regarding the CRM. Given the cost weighting of the CRM in the hybrid model relative to its benefits, switching the opt-in/opt-out status of participants would be trivial.

Finally, the upfront and ongoing costs of the CRM need to be minimised. The benefits of the hybrid model accrue to primarily to the investment (priority access), rather than dispatch (CRM) horizon (where most of the costs reside). Further analysis of the costs and benefits of the CRM in isolation need to be investigated by the ESB in refining the hybrid model.

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 'G. Hamilton', is positioned above the typed name.

Graeme Hamilton
General Manager, Government & Regulatory Affairs

Consultation questions

QUESTION 1: PRIORITY ACCESS MODEL OPTIONS

1. Key design choice

- (a) Which option do you prefer? The queue option or centrally determined tiers option? Why?
- (b) At what point in the connection process should queue numbers or tiers be assigned?

Q1(a): Alinta Energy supports the queue option for priority access. The mechanical nature of the queueing approach and its relative simplicity provides clarity and confidence for incumbent and new entrant investors in generation.

Q1(b): The timing of assigning a queue number (or tier under the centrally determined approach) could occur at the time a connection agreement is signed, or when the project is fully committed as assessed by AEMO.

2. Queue model

- (a) Do you favour queue numbers being assigned in strict chronological order or in time-windows?
- (b) At what point in the connection process should queue numbers be assigned?
- (c) If grouping is necessary for practical reasons, how substantially do you think the benefits of the queue model might be diminished? What is the minimum number of groups to make the model preferable?

Q2(a): Our preference is that queue numbers are assigned in strict chronological order. It is unlikely that the number of connections in a single year would overwhelm the assignment of queue positions.

Q2(b): The execution of a connection agreement should accompany the assignment of a generator's queue number.

Q2(c): Grouping is not preferred as it dilutes the purpose and effectiveness of the queue model. We are not in a position to comment on the minimum number of groups to make a grouping approach preferable, but by its nature, grouping will reduce the goals of priority access under the hybrid model.

3. Centrally determined tier model

- (a) Which sub-option do you prefer; first-come-first-serve or auction? Why?
- (b) What is the preferred metric to delineate the tiers?
- (c) Should the tier delineations be set forever or redetermined periodically?

Q3(a): Alinta Energy does not support the centrally determined tier model. However, if the option is pursued for priority access, first-come-first-serve would be preferred to an auction approach to assignment of access. An auction model may:

- Not be competitive enough/attract enough participation.

- It is unclear who would receive the proceeds of the auction (transmission network service providers for example) or to what use it would be put.

QUESTION 2: POLICY LEVERS

1. Where on the hard versus soft spectrum should priority access be?
2. What is the preferred basis for the length of priority access?
3. If a glide path is taken, what should its shape be?

Q2(1): To the extent possible, priority access should be placed on the harder end of the spectrum, up to the practical limit of constraint violations within the NEMDE.

Q2(2): The length of priority access should be based on the life of the asset at the connection point and extended to include repurposed use of the connection point (for example grid-scale storage) to encourage innovation and support future investment.

Q2(3): Alinta Energy does not support a glide path approach. If a glidepath was chosen however, a linear degradation or a decay of priority access that begins slowly and accelerates at the end of a defined period would be appropriate.

QUESTION 3: LEGACY GENERATORS

1. How should legacy generators be assigned priority access?
2. How should legacy generators be defined i.e., how should the demarcation date be set?

Q3(1): Alinta Energy supports the assignment of highest priority for life for legacy generators and for this to endure if the connection point is repurposed following the retirement of the asset at the connection point (as discussed above). We do not believe adopting this approach will lead to a rush of inefficient investment as there are numerous practical barriers and mechanisms that could be applied to discourage such outcomes.

Furthermore, as the ESB point out, the assignment of a lower queue number for priority access does not necessarily mean a generator will not be dispatched or encourage locational signals in less congested parts of the network.³

Q3(2): As indicated above, the NER could set a date in the past that could be used to define a legacy generator.

QUESTION 4: SETTLEMENT RESIDUE

1. Do you agree with the proposed approach to allocate the CRM residue to TNSPs?
2. Do you have any suggestions on the metric to allocate the CRM residue between TNSPs e.g., pro rata to region load?

Q4(1): The allocation of CRM residue is a challenging issue identified in the consultation paper. In general, we support option 1 (adding some, or all, of the residue to IRSR from the energy only market dispatch and pay these to SRA holders. While the ESB identified complexities with this option, it should be considered further in favour of option 2 or 3.

³ ESB (2023), op. cit., page 18.

QUESTION 5: TREATMENT OF MARKET NETWORK SERVICE PROVIDERS

1. Do you have any feedback on the proposed approach for the settlement of MNSPs?
2. Are there any special considerations in determining the CRMP for a market network service provider?

Q5(1): Alinta Energy has not specific comment on the settlement of MNSPs.

QUESTION 6 CRM BIDDING STRUCTURES

1. Do you agree with the proposed approach to modify the CRM bidding structure?
2. Do the benefits of this proposed approach outweigh potential internal costs to traders to modify their bidding systems?
3. If there are technical challenges with this proposed implementation, do you have alternative suggestions to facilitate CRM engagement?

Q6(1): Alinta Energy supports the flexibility in bidding structures discussed in the consultation paper. This will assist CRM participants to gain confidence in trading in this new market.

Q6(2): The decision to alter bidding systems to operate within defined bidding structures will be assessed by traders participating in the CRM. Since the CRM participation and bidding structures are optional, the value of modification of systems can be assessed by individual market participants.

QUESTION 7: FCAS BIDS AND PARTICIPATION

1. Do you have any comments on the proposed approach for FCAS bids and participation in the CRM design?

Q7(1): We consider that further work is required to assess FCAS bidding in the CRM design. The complexity of FCAS bidding in the CRM may be marginal in terms of benefits. We believe further work on CRM design is required before this matter can be progressed.