



Ms Anna Collyer
Chair, Energy Security Board
Level 15, 60 Castlereagh St
Sydney NSW 2000

By email: info@esb.org.au

26 May 2023

Dear Ms Collyer,

Transmission access reform – Consultation paper

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Energy Security Board (“the ESB”) in response to the Transmission Access Reform consultation paper (“the Paper”).

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE has interests in generation, renewable energy development, and energy services. ENGIE also owns Simply Energy which provides electricity and gas to retail customers across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

As ENGIE is both an operator of existing generation assets and a developer of new generation and storage assets, we are able to take multiple perspectives on the issues relating to transmission access reform, an area where ENGIE has long been an advocate for change.

Priority access

ENGIE observes that the different design elements are somewhat interrelated and so preferences for one design element may be influenced by the choices made by the ESB for other design elements.

In general, ENGIE favours simplicity in the priority access design and considers that the queue option will be simpler to implement than the centrally determined tiers option. As noted in our submission to the Directions Paper, this option still has scope to incorporate an auction process if it would be useful in resolving priorities where several generators seek to connect in a similar area more or less simultaneously. There seems little benefit in going to the trouble of developing a central tiers methodology simply to then adopt a first come-first served tier access approach anyway. Should the ESB elect to implement the centrally determined tiers option, ENGIE considers that it should be undertaken by an existing agency with a NEM-wide remit – likely AEMO.

If a queue option is implemented, ENGIE favours the use of strict chronological order as far as possible, with assignment taking place on financial close, if that can be implemented. ENGIE appreciates that finalisation of the connection agreement may be considered a more transparent date, but notes that this process can

be subject to delays that may be outside the control of the generator seeking to connect and so could introduce an element of arbitrariness into the process.

ENGIE recognises that a highly granular queue model is difficult to implement in a “hard” manner and so for ease of implementation, this option would likely be applied in a “soft” way, limiting its impact. Additionally, AEMO would for practical reasons end up assigning individual queue positions to a small number of dispatch priority (DP) groups. However, this approach allows more flexibility to account for the specific locations generators actually connect to rather than determine a full tier methodology ex ante.

In terms of the length of priority access, ENGIE continues to support a fixed duration (in the order of 15+ years) with linear glidepath if this is not unduly complex to implement. Whilst not proposing auction as first choice, ENGIE notes that having priority decline over the life of asset assists with the competitiveness of auctions.

For legacy generators, ENGIE considers that this should be determined with reference to the duration for new entrants. If legacy treatment is significantly more generous than new entrant treatment, this could cause some inefficient outcomes. The converse is also true, although in that case it could be mitigated if there were auctions and so legacy generators could participate in an auction to improve their priority level. The ESB should not be unduly concerned about a rush to qualify for legacy generation status – this is preferable to the opposite outcome of an investment strike.

Congestion Relief Market (CRM)

To the extent that the congestion relief market is warranted, and the more detailed dispatch analysis suggest it provides some, if any,

benefits, ENGIE supports the ESB’s broad approach to this mechanism, including the opt-in feature, the preference to continue to settle the energy market at the RRP and the treatment of storage.

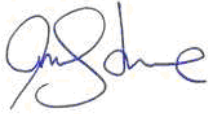
In respect of the allocation of CRM residue, it is unclear whether the ESB has already taken a position. The body of the paper offers both TNSP and retailers as viable recipients on behalf of customers who should ultimately benefit from these residues, but the summary of questions at Appendix A presumes TNSPs will receive the residues. To the extent this is still an open question, ENGIE notes that returning residues to retailers through the settlement process has the potential expedite distribution of residue compared to the TNSP route as TNSP use of system charges will only be updated annually.

The modification of the bidding structure provides CRM traders with a greater range of options, including the effective ability to choose which side of the trade to be on by their selection of the spread. This approach introduces some modest complexity into the process but noting that: CRM is opt in and that traders will need to modify their bidding systems to participate in the CRM in any case, it should not drive significant incremental implementation costs and to the extent that it may encourage greater participation may result in liquidity benefits to the CRM.

Given the default approach is opt-out, ENGIE supports separate processes to opt-in to energy CRM and FCAS CRM. It seems likely that participants will choose both or neither, but better that they have the choice.

Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, 0477 299 827.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'J Lowe'.

Jamie Lowe

Head of Regulation,
Compliance, and Sustainability