Progressive Green PTY LTD T/A Flow Power
ABN 27 130 175 343

Transmissions access reform – consultation paper

Flow Power submission

May 2023

Ground Floor, 109 Burwood Rd, Hawthorn, VIC
hello@flowpower.com.au
1300 08 06 08
flowpower.com.au

About Flow Power

Flow Power is an electricity retailer that works with energy customers throughout the National Electricity Market (NEM). Together with our customers, Flow Power is committed to our vision of creating Australia's renewable future.

We empower customers to take meaningful action. By providing energy knowledge and innovative technology, we are delivering smarter ways to connect customers to clean energy to make our renewable future a reality. We provide our customers with:

- Engineering support, access to live data and transparent retail tariffs that reward demand flexibility and encourage electricity usage at times of plentiful renewable output.
- Hardware solutions that equip customers with greater information, visibility, and control over energy use.
- Access to renewable energy, either through distributed solar and storage installed on site, or through a power purchase agreement with utility-scale wind and solar farms.

We believe that by equipping customers with these tools, we can lower costs for all energy users and support the transition to a renewable future.

Overview of submission

The key points we would like to make regarding the ESB's consultation paper are:

- **Accelerated decision making increases regulatory risk.** The regulatory changes described in the ESB's consultation paper represent significant changes to the NEM. These regulatory changes are proposed to occur in parallel with the energy transition, which is in its early stages. We are concerned that these proposals become self-defeating by deterring the necessary investments in renewable energy. The accelerated timeframes for setting out preferred, detailed policies for transmission access reform exacerbated the regulatory risk and complexity. These risks flow through to contract markets, offtake decisions and financing, ultimately delaying the transition and driving up costs for consumers. The ESB and Energy Ministers should consider slowing this reform process and let the market and other regulatory change in train take effect first. For example, enhancing the information available to connecting generators, and improving the connection process.
- **A decision on an investment timeframe option should be deferred.** We do not think a clear case for priority access has been made by the ESB. The primary rationale put forward by the ESB for introducing priority access is to provide locational incentives. However, we note the existing market does have strong locational factors guiding investment decisions. While these factors do not perfectly align with the ESB's preferences for risk allocation, they are overall effective. They are also understood and accounted for when projects are being developed.

The ESB has noted the dispatch inefficiencies introduced by the priority access model. The inefficiencies are supposed to be resolved through the congestion relief market (CRM). This is inconsistent with the intent of the CRM, which would provide generators impacted by congestion with the option to make mutually beneficial adjustments to dispatch outcomes to redistribute the congestion. It is not clear that the introduction of CRM can undo the inefficiencies of priority access and whether it is reasonable to introduce a hybrid model predicated on this assumption.

We are also concerned that the hybrid model detracts from renewable generators abilities to sign long-term offtake agreements. The combination of a low queue position and trading in the CRM would make it exceptionally difficult for a renewable generator to sign long term contracts, which in turn detracts from their financeability. This is not reflected in the cost-benefit analysis undertaken by the ESB.

Priority access also creates new costs and uncertainty relating to the connection process. Connecting to the grid is challenging, and priority access risks further complicating this process.

Lastly, the ESB's cost-benefit analysis discounts any locational incentives arising from the introduction of a congestion relief market. The CRM could result in batteries and loads locating in congested areas and acting to relieve congestion. Assuming CRM has zero benefits in the investment timeframes understates its potential to improve the locational benefits the CRM can deliver. This in turn, overstates the value of a hybrid model instead of assessing the CRM as a standalone option.

+ **A congestion relief market (CRM) is the best option for managing congestion in operational timeframes.** We agree with the ESB's preference for an opt-in CRM as the preferred option for managing congestion in operational timeframes. The CRM represents an effective option for maximising the value of storage and loads in relieving congestion.

  While we are supportive of the continued development of a CRM, we encourage the ESB and Ministers to carefully consider the implementation timeframes. There are detailed design challenges to be worked through, including the incentive and bidding issues raised by the ESB. Nonetheless, we consider the CRM to be an effective proposal to be introduced alongside the separate proposal to increase information available to prospective generators.

If you have any queries about this submission, please contact me on (02) 9161 9068 or at Declan.Kelly@flowpower.com.au.

Yours sincerely,

Declan Kelly

Regulatory Policy and Corporate Affairs Manager

Flow Power