26 May 2023

Ms Anna Collyer
Chair
Energy Security Board (ESB)
Via email: info@esb.org.au

Dear Ms Collyer

RE: Response to ESB Transmission Access Reform Consultation Paper

Squadron Energy welcomes the opportunity to respond to the ESB Transmission Access Reform Consultation Paper.

Squadron Energy is Australia's leading renewable energy company that develops, operates and owns renewable energy assets in Australia. We have 1.1 gigawatts (GW) of renewable energy in operation and an Australian development pipeline of 20GW. Our development pipeline has projects at differing stages of development and includes wind, solar and firming capacity such as batteries and gas peaking plants with dual fuel capability. With proven experience and expertise across the project lifecycle, we work with local communities and our customers to lead the transition to Australia's clean energy future.

We are generally supportive of the Clean Energy Council's submission. In this short submission we would like to focus on:

- the limited ability of a national access regime to deliver timely and practical outcomes;
- the potential benefits of enhanced information for investors to assess the level of risk and impact associated with congestion;
- the importance of additional transmission infrastructure to support the continued development of renewable generation and storage at a critical time in the transition.

A priority access mechanism risks creating additional complexity and perverse incentives for future investment

A priority access mechanism (either as a hybrid model with the congestion relief market (CRM) or as a standalone mechanism) risks materially reducing the efficiency of dispatch while distorting the incentives for future investment. A key concern related to any priority access mechanism is that a disproportionate level of congestion risk is pushed on to new entrants. If new entrants are required to take on this risk, then it may lead to a chilling effect in future investment. Equally, regulatory changes should not substantially impact the value of sunk investments by grandfathering arrangements for legacy generators. While the proposed policy levers attempt to balance this risk between legacy and new generators,[1] we consider the overall value of a priority access reforms to be limited. This is on the basis that the mechanism as currently

[1] The design of levers related to the degree of priority, duration of priority level, treatment of legacy and/or fossil fuel generators go some way to managing the balance of risk borne by legacy and new generators under a priority access mechanism.

proposed introduces significant complexity, inappropriately allocate access risk, and blunts the incentive for future investment.

Further, we would emphasise that the value of a national access scheme is likely to be limited due to its implementation timeframe. It Is therefore important for the ESB and Energy Ministers take seriously the consideration of whether a new access regime would in fact hinder the ambition to meet the 2030 target of 82% renewables in the National Electricity Market (NEM).

Markets will deliver efficient outcomes where there is adequate transparency and ability to manage risk

The NEM already provides strong signals for locating generation. For example, developers currently face signals to minimise constraint coefficients and loss factors via locational choice and the design of connection arrangements. Under this approach, the efficient use of the existing network is beneficial as generators locating in areas that are less constrained are likely to be dispatched in the event of binding constraints.

That said, we recognise that the risk of congestion may increase as more renewable energy comes online. But we do not consider that national access reform is the most appropriate or timely way to address the potential for increased congestion. Rather, as the ESB and Energy Ministers recognise in fast-tracking work on an enhanced information rule change request, there is significant and no regrets opportunities that can be taken to allow for greater transparency of constraints during the planning and development processes, informing more efficient investment outcomes and market signals.

Developing new transmission is the key to supporting the continued uptake of renewables

While the decarbonisation of the electricity system (and the economy) calls for substantial investment in generation and storage projects, there is concern that fundamental issue of insufficient transmission capacity remains. As such, the proposed access reform appears to focus on managing congestion on the shared network, without addressing the underlying issue. Reallocating the use of a constrained resource will not uplift total capacity and any enhanced allocation efficiency will come at a considerable cost in terms of complexity and regulatory uncertainty. We would encourage further consideration of means to support the build out of additional transmission capacity. As has been recognised by all jurisdictions, developing new transmission is key to unlocking new resources and driving in new, low-cost renewable energy. We strongly support the work being undertaken by jurisdictions to deliver Renewable Energy Zones (for example, the Central-West Orana REZ adopts a "firm" access regime which we believe provides a workable and fairly simple process to coordinate access to *new* infrastructure) and the Rewiring the Nation Plan.

We look forward to the opportunity to continue to engage in work to support the rapid decarbonisation of the electricity system. If you would like to discuss this submission please contact Rupert Doney – Director, Regulation and Policy at rdoney@squadronenegy.com or on 0450398661.

Yours sincerely,

Graham Denton, Head of Energy Markets

SQUADRON ENERGY