



26 May 2023

Ms Anna Collyer
Chair
Energy Security Board

Submitted by email to: info@esb.org.au

Dear Ms Collyer

Stanwell Corporation Limited Response to Transmission Access Reform Consultation Paper

Stanwell Corporation Limited (Stanwell) welcomes the opportunity to respond to the Energy Security Board's (ESB) *Transmission Access Reform Consultation Paper* (the Consultation Paper).

Stanwell is a major provider of electricity to Queensland, the National Electricity Market (NEM) and large energy users throughout Australia. We own and operate two coal-fired power stations, providing reliable and affordable energy, with a pipeline of renewable generation and storage technologies to reduce our emissions intensity and create future opportunities for our people and communities.

This submission contains the views of Stanwell in relation to the Consultation Paper and should not be construed as being indicative or representative of Queensland Government policy.

Introduction

Stanwell appreciates the work the ESB has undertaken to date in developing and consulting on the industry-proposed alternatives to the Congestion Management Model (CMM). This work appears to confirm the model is too complex and requires too many compromises to deliver upon its stated objectives and the full estimated benefits of transmission access reform.

Stanwell is unable to support the hybrid model in its current state of development or the limited timeframes for developing the detailed design and consulting on the Rules. The model is not currently in a form that allows stakeholders to make material comments. It does not seem feasible that the model will be able to be sufficiently developed and consulted upon before final recommendations are provided to Energy and Climate Change Ministers such that stakeholders can have confidence in the details of how the model will operate and the expected net benefits.

Any previous statements Stanwell made expressing or suggesting support for the Congestion Relief Market (CRM) were only relative to the CMM and should not be construed

as support for the CRM or transmission access reform more broadly. Stanwell maintains that the significant market reform proposed by the ESB is not warranted and represents a disproportionate response targeting marginal gains in dispatch efficiency, which is both a relatively minor issue and may reduce over time as generators with near-zero short-run marginal costs replace traditional generation capacity.

Reform process

Stanwell appreciates the ESB's ongoing efforts and offers the following comments on the proposed reform and the current timeline for development and implementation.

Purpose of reform

With the Energy and Climate Change Ministers' instruction to advance Enhanced Information as a separate rule change, it is incumbent on the ESB to demonstrate that there will be remaining deficiencies in locational signals for investment once the Enhanced Information rule change, in concert with other locational signals (e.g., system security, Marginal Loss Factors, AEMO's Congestion Information Resource) and reforms addressing dispatch efficiency (e.g., 5 Minute Settlement), has been implemented and sufficient time has passed for their collective performance to be assessed.¹ The ESB needs to demonstrate that the marginal benefits of each reform, rather than the total impact stemming from multiple reforms, is used when attempting to justify additional action.

Similarly, the continued focus on "race to the floor" bidding in operational timeframes appears disproportionate to the impact of this behaviour on consumers and the market. Broader assessment of the type of plant bidding at Market Floor Price (MFP), their reasons for doing so, whether those bids represent a genuine intention to generate at that price, and how those reasons to bid at MFP will change in response to the withdrawal of large thermal plant and the influx of new generation is required. This analysis will determine whether the proposed reform addresses the root cause of this behaviour and whether this reform is targeting an expected future issue or historic issues that will be largely addressed by other in-train and imminent reforms and changes in the generation fleet over time.

Estimated benefits of reform

With respect to the estimated benefits of the hybrid model, the Energy and Climate Change Ministerial Council Meeting Communique (Communique) noted:

"The CRM and priority access model reforms, if approved later this year, are estimated to yield net benefits for industry and consumers of up to \$5 billion (NPV) and lower emissions by 23 million tonnes by 2050".²

The estimated net benefits referenced in the Communique (up to \$5 billion) are considerably higher than the estimated net benefits in the ESB's Transmission Access Reform Cost Benefit Analysis (about \$4 billion), suggesting the Energy and Climate Change Ministers

¹ [Energy and Climate Change Ministerial Council Meeting Communique](#), 24 February 2023, page 2

² [Energy and Climate Change Ministerial Council Meeting Communique](#), 24 February 2023, page 2

were presented an earlier version of the modelling. Given the design choices currently under consultation, there is the potential for further divergence between the results presented to the Energy and Climate Change Ministers and the expected net benefits of the final design of the hybrid model. The ESB’s Cost Benefit Analysis Report explicitly states the modelling has not assessed the sub-options currently under consultation:

“Precisely which market participants are provided priority access, and for how long, varies under various sub-design choices that are still being considered by the ESB, trading off matters such as implementation complexity and the competing interests of incumbents and newcomers... This CBA will not attempt to determine the relative costs and benefits of these various sub-options, but instead provides a generic assessment of the priority access option.”³

Accordingly, the previous cost-benefit analysis results may not be representative of the expected net benefits of the final hybrid model design. Once key design choices have been finalised, the modelling will need to be updated to provide Energy and Climate Change Ministers and stakeholders with sufficient confidence that the final form of the hybrid model is expected to deliver benefits to consumers and the market.

Stanwell notes the bulk of the estimated benefits of the proposed reform (\$3.8 billion of the \$4 billion in net benefits ascribed to the hybrid models) stem from “capital and fuel cost savings from more efficient locational decisions” (as shown in Table 1), with low additional benefits conferred by either operational timescale models, raising the question of whether the CRM will deliver material net benefits to consumers beyond those provided by priority access.

Table 1: Summary of total impacts, mid-point NPV 2023-2050 (\$ billion, 2022)⁴

	CRM alone	CMM alone	Congestion fee alone	CRM + congestion fee	CMM + congestion fee	CRM + priority access*	CMM + priority access*
Operational benefits	\$0.49	\$0.42	\$0.00	\$0.49	\$0.42	\$0.49	\$0.42
Capital and fuel cost savings from more efficient locational decisions	\$0.00	\$0.00	\$3.80	\$3.80	\$3.80	\$3.80	\$3.80
AEMO costs	\$0.06	\$0.01	\$0.01	\$0.07	\$0.02	\$0.08	\$0.02
Participant costs	\$0.18	\$0.19	\$0.00	\$0.18	\$0.19	\$0.18	\$0.19
Net benefits	\$0.24	\$0.22	\$3.79	\$4.03	\$4.01	\$4.03	\$4.00
<i>Net benefits exclude the following changes in market disruption and emissions</i>							
Market disruption; redistribution of wealth between existing generators	-	↑	-	-	↑	-	↑
Change in CO ₂ emissions (tonnes)	-23m	-21m	-	-23m	-21m	-23m	-21m

* On a stand-alone basis the priority access model is unlikely to have the highest net benefit (and may have net costs) because it may not improve operational efficiency (and may decrease operational efficiency) for reasons outlined in section 3.4.2. For these reasons the costs and benefits of implementing it on a stand-alone basis have not been determined.
Note: Rounding difference in table for CRM, CRM + congestion fee and CMM + priority access.

The ESB’s assertion that “[w]ere the priority access model to be implemented on its own (i.e., without also implementing either the CRM or CMM), dispatch efficiency may not be improved, and could even be diminished versus the status quo arrangements” is concerning.⁵ That the proposed model potentially introduces greater dispatch inefficiency

³ Energy Security Board, [Transmission Access Reform Cost Benefit Analysis](#), February 2023, page 27

⁴ Energy Security Board, [Transmission Access Reform Cost Benefit Analysis](#), February 2023, page 9

⁵ Energy Security Board, [Transmission Access Reform Cost Benefit Analysis](#), February 2023, page 27

which is then resolved by voluntary participation in the CRM suggests there may be a more-preferable way of realising the benefits of improved locational signals. Further, the implied reliance on the CRM to realise the full benefits of the priority access component of the hybrid model also raises concerns that the CRM may be made compulsory in the future. Stanwell seeks the ESB's assurance that if the CRM were implemented, it would remain voluntary for the entirety of its existence.

Finally on estimated benefits, the distribution of the modelled benefits over time should be made clear. The headline Net Present Value (NPV) is for the period 2023 to 2050 while Stanwell understands the reform is unlikely to be implemented before 2027 or 2028. Clarification of whether this later implementation date proportionately decreases modelled benefits of the proposed reform or if the benefits are front-loaded (i.e., there is a disproportionately decrease in modelled benefits from the later start date) is required.

Design timeline

Greater clarity about expected timeline for the design of the hybrid model is needed. The Energy and Climate Change Ministerial Council Meeting Communique stated:

“Ministers requested the Energy Security Board (ESB) to work with Senior Officials and stakeholders to develop the voluntary Congestion Relief Market (CRM) and the priority access model and to bring forward a detailed design for consideration by ECMC in mid-2023.”⁶

The Consultation Paper indicates the ESB will provide final policy recommendations to Energy Ministers in July 2023 and then “develop and consult on the draft Rules later in 2023”.⁷

Stanwell maintains more time is needed to adequately develop the hybrid model and undertake iterative consultation with stakeholders. Transmission Access reform has been an active topic for over a decade, and the assumption that it will suddenly be solved in a few months without industry input appears optimistic.⁸ The Consultation Paper poses fundamental design questions that have myriad interactions with other aspects of the proposed hybrid model, the existing market design, in-train market reforms and expected future market reforms that will influence participants' investment and operational decisions. Once the model has been finalised, the cost-benefit analysis can be revised to estimate the expected costs, benefits and net benefits of the proposed reform on consumers, consumer groups and market participants. Stanwell is concerned the current timeline does not allow sufficient time for these steps to occur. Urgency in finalising this significant market reform to meet a self-imposed deadline should not come at the expense of identifying and developing the optimal model to address the expected future challenges facing the market.

⁶ [Energy and Climate Change Ministerial Council Meeting Communique](#), 24 February 2023, page 2

⁷ Energy Security Board, [Transmission Access Reform Consultation Paper](#), May 2023, page 10

⁸ Previous reviews include

- 2009 Review of Energy Market Frameworks in Light of Climate Change Policies;
- 2013 Transmission Frameworks Review;
- 2015 Optional Firm Access; and
- 2018 Coordination of Generation and Transmission investment.

If the current consultation process is genuine, the ESB cannot preclude the possibility that the hybrid model is not the optimal model to achieve the stated objectives for transmission access reform. If the current consultation and market body investigations (e.g., AEMO's technical feasibility work) determine the hybrid model is not optimal or feasible, the ESB will have several options before it, namely:

- 1) Cease all progress on transmission access reform;
- 2) Postpone the deadline and recommence the options phase;
- 3) Continue development of the hybrid model to meet the current deadline; or
- 4) Revive the Congestion Management Model to meet the current deadline.⁹

Stanwell maintains Option 1 should be the preferred option, although previous processes indicate option 2 is more likely. However, should the hybrid model be deemed not fit-for-purpose, it should be made clear whether the deadline, identifying and developing the optimal model or ruling out any model involving locational marginal price would be walked back. Stanwell seeks the ESB's guidance on what the next steps would be if the hybrid model proves not optimal and/or feasible.

Implementation timeline

The Consultation Paper notes:

"The ESB expects that several years would be required to implement the reforms after the rule changes have been adopted. A previous project update indicated the earliest implementation date for changes to the dispatch solution by the end of 2027. The implementation timeline will be reviewed and updated as we continue our technical investigations. The timeline will be influenced by a range of factors including:

- *the detailed design of the final models*
- *any unforeseen technical challenges from the detailed design and implementation process*
- *the broader portfolio of concurrent systems changes for other energy market reform processes.*¹⁰

Greater clarification is required about the ESB's current expected implementation date and how the factors listed may affect the timeline. Further, stakeholders require clarity from the ESB about their intentions and the priority of this reform process relative to other in-train and imminent reform processes. Of specific interest is the impact of the broader portfolio of concurrent system changes on their work on transmission access reform. While the ESB has previously assured stakeholders that the market bodies are working closely to coordinate the broad range of current and imminent reforms, Stanwell does not see any obvious allowances in AEMO's Reform Implementation Roadmap for sizable work that may result from the proposed reforms.

⁹ [Energy and Climate Change Ministerial Council Meeting Communiqué](#), 24 February 2023, page 2

¹⁰ Energy Security Board, [Transmission Access Reform Consultation Paper](#), May 2023, page 66

Technical considerations

Stanwell is concerned that participants are being asked to expend their limited time, resources and consultation opportunity to assess and comment on models that may not be technically feasible. As noted in the Consultation Paper:

“The ESB is investigating a number of implementation issues including technical feasibility, solve times, feasible dispatch and the impact of EN priority dispatch on the regional reference price (RRP). The number of queue numbers and the number of tiers may be limited by the technical feasibility to implement into AEMO’s systems and the level of priority (hard or soft). It is a complex area of investigation, and we propose to revert to stakeholders with updates following this consultation period.”¹¹

Further advice is required from AEMO as to what can be achieved, and whether the technically feasible options address the transmission access reform objectives, assessment criteria and key requirements. Stanwell notes one of the three key requirements for the dispatch solution as part of the implementation considerations is “no material impact on timing of dispatch instructions”.¹² The current dispatch process can leave participants without a dispatch target for around 30 seconds per 5 minute dispatch interval, decreasing the period over which units have to ramp to meet changed dispatch targets. Any deterioration of this processing time will exacerbate the impact on generators and efficient market function. Stanwell is eager to receive market body guidance on whether it is possible to modify energy dispatch to include priority access (especially with reference to the most-disaggregated priority access models (i.e., chronological order queue positions) and undertake the second CRM adjustment with no increase in processing times.

More broadly, Stanwell is also concerned about the technical and practical feasibility of co-optimisation across an increasing number of markets. Stanwell appreciates the ESB is in the process of developing the model, but stakeholders need greater confidence that the myriad existing, in-train and expected and potential future markets will be able to be co-optimised within in an acceptable processing time. If it is not the case that all of these services can be efficiently co-optimised, an assessment of the relative importance of “race to the floor” bidding will need to be undertaken against the other current and potential energy services to determine which are of the highest priority and importance for delivering benefits to consumers and supporting the continued secure, reliable operation of the market.

Consultation questions

Stanwell has provided responses and comments on the issues raised in the consultation questions in Appendix A. These are based on the information contained in the Consultation Paper and should not be taken as endorsement of or support for the implementation of the hybrid model, any component of the hybrid model or transmission access reform more broadly.

¹¹ Energy Security Board, [Transmission Access Reform Consultation Paper](#), May 2023, page 21

¹² Energy Security Board, [Transmission Access Reform Consultation Paper](#), May 2023, page 65

Conclusion

Stanwell appreciates the ESB's continued work on developing the industry-proposed models alternatives to the CMM, but more time is needed for both detailed design and Rules development in order to ensure the deadline is not met at the cost of a robust design process that includes iterative consultation with stakeholders.

Stanwell maintains that the significant market reform proposed by the ESB is not warranted and represents a disproportionate response targeting marginal gains in dispatch efficiency, which is both a relatively minor issue and may reduce over time as large thermal generation capacity retires. Stanwell seeks the ESB's assurance that should the hybrid model prove not optimal or infeasible, the ESB will investigate other options rather than reviving the CMM.

Stanwell welcomes the opportunity to further discuss the matters outlined in this submission. Please refer any questions to Evan Jones, Market Regulation Analyst, on 0419 667 908 or to evan.jones@stanwell.com.

Yours sincerely



Ian Chapman
Manager Market Policy and Regulatory Strategy

Appendix A: Consultation questions

Stanwell does not support the hybrid model in its current state or the timeframes for developing the detailed design for the Energy and Climate Change Ministers and development and consultation on the Rules. Stanwell maintains that the proposed reforms represent a disproportionate response to the purported issues with the current market design, and any action on transmission access reform should be delayed until the myriad concurrent market reforms also addressing or affecting locational signals and efficient dispatch have been developed, implemented and assessed, in order to determine whether the expected marginal benefits of transmission access reform warrant further action.

Accordingly, the opinions expressed in this section are based on the information contained in the Consultation Paper and should not be taken as endorsement of or support for the implementation of the hybrid model, any component of the hybrid model or transmission access reform more broadly. As the assumption work continues on the hybrid model, any changes to the model will necessitate a re-examination of Stanwell's positions and preferences.

1) *Priority access model options*

The key challenge for the priority access models is balancing certainty for new projects and legacy generators. The access afforded new generators cannot exceed the access granted to legacy generators; the risk of reducing investment at new plant does not take precedence over the risk of adversely affecting the access of legacy generators as the reform is unable to affect the locational decisions of the latter.

Queue

Both queue models provide new generators priority over subsequent connections to different degrees. A queue position grants generation priority over those who join later in their region, but how much later depends on which queue model chosen, as it only grants priority over those who join in subsequent years under the time window queue model.

One of the key concerns with the queue models is the treatment of legacy generators. If all legacy generators at the time the reform is adopted receive the same queue number, and the current generation fleet is such that "race to the floor" bidding is incentivised because of congestion at key nodes, it is not clear how the proposed reform will assist. It raises questions of whether the benefits of reform will only begin to be realised as incumbents retire and how this delay would affect the estimated net benefits of this reform. Stanwell appreciates this issue becomes more challenging the more incumbents there are (i.e., the longer it takes to implement the proposed reform) but does not regard this as a valid excuse to rush development and consultation of the hybrid model or preclude examination of more-preferable models.

To address this issue, Stanwell suggests that a common incumbency date could be set such that all generators that are operational now or at a set date in the very near future are assigned to the higher access tier, with projects connecting in the years following the incumbency date assigned to their respective queue positions or time windows. This would

also ensure no investors are adversely affected if it is determined that the hybrid model of transmission access reform is not progressed.

A broader issue is that previous attempts to improve transparency about potential projects (e.g., AEMO's Generation Information resource) do not seem to have delivered sufficient information about investor interest across the network. Stanwell suggests transparency could be encouraged by linking project transparency and progress to projects maintaining the assigned queue position or time window. This would help differentiate between projects that will likely not progress beyond a media release and projects being pursued by motivated investors.

a) Queue, strictly chronological

The Consultation Paper notes “[g]rouping may be required to enable the EN priority dispatch engine to run quickly”.¹³ The technical feasibility of the strictly chronological queue model needs to be established. If it cannot be implemented in its current form, any feedback provided on this iteration may not necessarily be applicable to any feasible iterations. Grouping would reduce the attractiveness of this model, and the concerns with the time window queue model, as discussed below, would apply.

While Stanwell appreciates the intention of provisions to dissuade strategic behaviour (e.g., lodging speculative connection enquiries), further work is required on how these measures would be operationalised. For example, for the use-it-or-lose-it provisions, the key challenge is determining a time period that is short enough to minimise the impact of non-genuine projects but not so short as to disqualify projects that are affected by factors beyond their control. It may prove difficult to differentiate between delays beyond the control of the investor and those within the control of the investor.

b) Queue, number assigned by time window

A key concern with the time window queue model is the reduced ability of generators to manage congestion risk arising from subsequent connections within the same time window. These subsequent investments will adversely affect the access of earlier connections within the time window that feature in the same congestion constraints. This also extends to Renewable Energy Zones (REZs), where REZ participants received the same priority number as those who connect close to the REZ within the same time window, reducing both transmission access and REZ attractiveness to investors.

The Consultation Paper notes the incentives for investors to rush or delay projects depends on the breadth of the time window, stating there may be a “*rush to reach the relevant stage before the time window closes, creating peaks in demand for connections*” or the time windows may “*incentivise generators to wait until the end of the time window to better assess the quality of the priority access this may receive*”.¹⁴ Stanwell believes the former is of greater concern than the latter. Investors would also know other investors may be waiting in order to assess other projects affecting their access, potentially limiting the value of the

¹³ Energy Security Board, [Transmission Access Reform Consultation Paper](#), May 2023, page 38

¹⁴ Energy Security Board, [Transmission Access Reform Consultation Paper](#), May 2023, page 29

information garnered by waiting. Stanwell acknowledges this may be of greater importance to large investors with a portfolio of potential projects across the network (which itself will be affected by any use-it-or-lose-it provisions) rather than an investor with only one potential project.

Stanwell is more concerned about the rush of projects proceeding the cut-off to be classified as a legacy generator for the purposes of transmission access reform. The ESB needs to weigh the potential benefit of “less rush” against the cost to generators of reducing their ability to manage congestion risk from subsequent investors.

While the Consultation Paper uses calendar year time windows in its examples, it acknowledges the length of the window will affect the risks investors and legacy generators face. Additional work is required to determine the lowest feasible length for the time window. Shorter windows may increase the incentive but will reduce the ability of new projects to either rush or delay their investment decisions, while increasing the geographic protection offered to projects against subsequent investment in the same region in later time windows (e.g., quarterly time windows would protect the access of first quarter investments from investments in subsequent quarters of the calendar year, which does not occur with calendar year time windows).

Centrally Determined Tiers

Stanwell does not believe the challenges of the centrally determined tiers model can be adequately addressed, and thus does not support this model.

Stanwell notes the model does offer some benefits, principally the protection offered to generators from subsequent connections in the same area of the network. Increased certainty would be expected to underpin the investment required to drive the transformation of the network and generation fleet.

The centrally determined tiers models would also address the issue whereby generators are currently unable to capture the full benefits of any transmission network investment they make. Generators who fund transmission investment could be assigned a higher priority tier on the basis that their investment creates space in that tier (i.e., the promotion should not degrade access of those in the higher tier).

However, Stanwell concurs with the ESB’s assessment that “[d]etermining the efficient hosting capacity based on load flow modelling may be challenging”.¹⁵ Given the reliance on forecasts of a central body for the delineation of tiers and assigning generators to those tiers, incorrect forecasts may result in underutilisation of the network or generators not having the transmission access they were assigned or purchased. A reduction in transmission access would be expected to have the biggest negative impact on generators at times when transmission access is most valuable (i.e., when an event results in current network capacity is less than modelled efficient hosting capacity). Stanwell does not believe this model would provide the certainty for generators to deliver efficient investment or the stated outcomes of the reform.

¹⁵ Energy Security Board, [Transmission Access Reform Consultation Paper](#), May 2023, page 38

a) Tiers, first-come, first-served

Stanwell sees some appeal in aspects of this model, principally:

- New generation would know both what tier is has been assigned to and the other generators currently in the tiers in that zone at the time of connection;
- New generation is provided access to the highest available tier (based on load flow modelling and technology type); and
- New generation can still be “pipped at the post” (i.e., if multiple projects are concurrently being developed to take advantage of an identified opportunity), but the first mover’s access is not encroached upon by subsequent projects.

However, these do not outweigh concerns with the tiers approach overall, as discussed above.

An additional concern with this model is the potential for time windows to be employed and that promotion into higher tiers *“might be allocated on a pro-rata basis where incoming generators connect within the same time window”*.¹⁶ The introduction of time windows is the antithesis of first-come, first-served, and is subject to the same issues as discussed in the time window sections elsewhere in this submission. These proposals reduce the effectiveness of this model to deliver the level of certainty that support investment decisions, as pro-rated access and/or time windows would be expected to adversely affect the business cases for new investment, potentially resulting in inefficient investment and network utilisation.

b) Tiers, auction

One of the key challenges of the auction model is defining a frequency of auctions and a volume of transmission access to be auctioned that would both provide participants with a market price and provide the certainty required to underpin new investment. If the duration of access purchased via auction is short, investors will not have sufficient confidence in their expected future transmission access. If the duration of access purchased via auction is long, the market prices set in auctions would have limited value to participants. This point is touched upon in the Consultation Paper, which notes *“[p]roviding the auction is well-functioning and competitive, the auction prices would reveal the market’s view of the expected benefits of a higher priority tier”*.¹⁷ Stanwell questions whether sufficient capacity could be offered in sufficiently frequent auctions such that the auctions will be considered well-functioning and competitive, resulting in price information that acts as a useful locational signal and supports new investment. It seems unlikely that there will be a solution that satisfies these competing priorities.

Regardless, Stanwell is concerned that it would be extremely difficult for investors to model both the level of transmission access and the price of transmission access when assessing potential new projects, affecting both the efficiency of investment and transmission network utilisation as well as the volume of new projects. While this may appear equivalent to the uncertainty of being granted a high number in the transmission queue models, the difference

¹⁶ Energy Security Board, [Transmission Access Reform Consultation Paper](#), May 2023, page 33

¹⁷ Energy Security Board, [Transmission Access Reform Consultation Paper](#), May 2023, page 36

is that access doesn't degrade under the queue model (except under the policy levers that erode access over time).

Further clarity is also required about the intended use of the auction revenue; whether it is returned to consumers (either directly or indirectly), invested in transmission infrastructure, or used for another purpose. This is especially important as competition for transmission access in key constraints would be expected to increase the price of transmission access; this is then treated as a fixed cost by generators and recovered via their energy bids.

2) *Policy levers*

Examination of interactions of policy levers needs to be undertaken holistically, to ensure consistency both between the various policy levers and between the policy levers and the intent of transmission access reform. For example, concurrently implementing glide paths and splitting capacity across tiers could result in an aggressive reduction in transmission access across the life of the project.

The ESB needs to ensure that the core intent of the proposal is retained – that generators are not adversely affected by the subsequent locational decisions of others. Alignment between the length of access for new generators and treatment of legacy generators is required to ensure new generators do not receive superior access (e.g., limited duration for legacy generators but life of asset for new generators).

Hard or soft priority

Hard priority appears to run counter to the intent of the scheme by diluting incentives to locate in less-congested parts of the network. Stanwell agrees with the concerns that hard priority would be more difficult to implement and create more uncertainty given projects could be affected by generation in distant locations.

Given the breadth of priority covered by the soft priority option, anywhere between hard priority to almost no priority at all, at this stage of model development Stanwell supports further investigation of soft priority. The resulting soft priority would need to ensure the priority granted retains sufficient incentive for new generation to be located in relatively uncongested parts of the network.

Duration of priority access

The ESB needs to ensure balance is reached between providing legacy generators sufficient access (given the policy change cannot influence their investment locational decision) and ensuring new projects are not excluded from connecting to the network. Part of this will be ensuring consistency between the duration of access and treatment of legacy generators, to avoid granting new entrants superior quality or duration access than that granted to legacy generators. While this may pose some challenges in realising benefits of the proposed reform in the short-term in areas of the network that are currently congested, the alternative is a "picking winners" approach which is likely to decrease investment confidence in the longer term.

The four options presented in the paper are:

- 1) Actual life of asset;
- 2) Proportion of the asset's forecast technical life;
- 3) Fixed duration; and
- 4) Fixed duration with glide path.

These models would provide generators with high certainty for the fixed and glide path periods and but high uncertainty for any non-fixed/glide path periods, and would be expected to have impacts on both the type and volume of investment undertaken as well as the operation of legacy and new assets.

As the Consultation Paper notes, each generators' network access is not static, as generator entry and exits, load entry and exit and network investment change the effective access generators have. Attempts to recreate the status quo however would be problematic, both as the alternative future is unknowable and the status quo is apparently of enough concern that disproportionate transmission access reform is deemed necessary.

Stanwell is not clear on the ESB's position that long-lived access would mean "*incoming generators have less regard to the impact of their decisions on future generators, potentially incentivising them to connect in locations which use up much of the available capacity*".¹⁸ Stanwell would be keen for further detail on why this would be an undesirable outcome, as opposed to the express intent of the proposed change.

Stanwell also considers the ESB should identify how this would be addressed by a shorter duration of priority access, and why one generator's investment decision to "use up much of the available capacity" is materially different from multiple generators' investment decisions that collectively use the same volume of the available capacity. This position appears inconsistent with the model options, which seek to assign or auction the available network capacity. If it is the intention that capacity will be reserved for potential future investment, the operationalisation would appear challenging, as it would require determining both the volume of capacity to be reserved for future investment and the conditions under which this reserve would be released.

Stanwell also questions the assertion that valuable transmission access may delay efficient disinvestment. A number of disinvestments have been announced in recent years, none of which appear to have been linked to lack of network access, but rather to larger economic or environmental drivers. Stanwell suggests the early retirement of plant indicates the value of access is not expected to be sufficient to overcome the other drivers of plant retirement and thus will not delay exit from the market.

3) *Legacy generators*

The Paper notes the challenges of balancing the access granted to legacy generators with respect to the impact it may have on new investment (i.e., investment rush if the legacy treatment is favourable, investment strike if the legacy treatment is unfavourable). Stanwell believes the ESB should err on the side of favourable treatment for legacy generators, as

¹⁸ Energy Security Board, [Transmission Access Reform Consultation Paper](#), May 2023, page 42

the proposed reforms cannot alter historical locational decisions. While Stanwell appreciates the longer transmission access reform takes to implement, the more capacity that needs to be accommodated by the mechanism for legacy generators but does not consider this sufficient reason to rush the reform process.

Three options are presented in the paper.

- a) Highest priority for life: This option appears most closely aligned with the stated purpose of the reform as it ensures legacy generators are not adversely affected by subsequent decisions. As noted in the consultation paper it could grant legacy generators with transmission access that exceed their current access, or more relevantly, the expected access at their time of investment. Stanwell support this option being pursued as it is simple to implement and any inefficiency created will naturally diminish over time.
- b) Highest priority initially, then a glide path: Stanwell considers that the glide path proposal is inconsistent with the proposed intent of the reform, and should not be pursued. If pursued, clarification would be required of how this option would be operationalised under the queue model (e.g., sending the entire capacity of legacy plant to the back of the queue at regular intervals appears inconsistent with the intent of a glide path).
- c) Split capacity across priority levels: This option appears consistent with the intent of the reform, but with more complexity than highest priority for life. The benefits relative to that option appear likely to be limited, meaning the implementation effort is unlikely to be warranted. If pursued, clarification is required of how this option could be operationalised under the queue model (e.g., how queue numbers are assigned to split capacity).

It is not clear why the status quo is repeatedly referenced when discussing the treatment of legacy generators when the proposed reform is expressly intended to alter the status quo.

4) *Settlement residue*

Stanwell supports the intent to return the CRM residue from CRM trading to consumers. The only material factor is whether Transmission Network Service Providers or retailers are better placed to return the CRM surplus, acknowledging the paper notes it would be quicker to allocate the CRM surplus to retailers via the standard settlement process.¹⁹ Further work is required to determine the best channel for returning the CRM residue to consumers.

5) *Treatment of Market Network Service Providers*

Stanwell can see no reason to diverge from current methodology for the treatment of Market Network Service Providers under the hybrid model.

¹⁹ Energy Security Board, [Transmission Access Reform Consultation Paper](#), May 2023, page 56

6) *CRM Bidding Structures*

Stanwell supports providing both quantity limits and bid/offer spreads to both encourage and support CRM participation.

7) *FCAS Bids and Participation*

Based on the current level of model development, Stanwell does not oppose the ESB's proposed approach to FCAS bids.