



26 May 2023

Ms Anna Collyer  
Chair  
Energy Security Board  
Lodged by email to: [info@esb.org.au](mailto:info@esb.org.au)

Dear Ms Collyer,

### **Response to Transmission access reform – Consultation paper (May 2023)**

Windlab welcomes the opportunity to provide feedback on the Energy Security Board (ESB)'s Transmission access reform – Consultation paper published in May 2023.

As background, Windlab is a 100% Australian-owned renewable developer (owned by Squadron Energy and Federation Asset Management), which has operated in the industry for over 20 years. It has a massive Australian project portfolio of 23.5GW under development and 1GW constructed.

Windlab is a member of the Clean Energy Investor Group (CEIG) and the Clean Energy Council (CEC) and is supportive of those group submissions.

Windlab is also keen to emphasise a couple of points in this submission:

- Priority access must maintain a fair balance in the allocation of congestion. A 'hard' priority access option should not be paired with a long duration of priority access. This would result in nearly all congestion being borne by generators built in the 2030s & 2040s. Such an outcome would likely result in a dramatic slow-down in renewable construction and a failure to meet mid-century decarbonisation goals.
- Any settlement residues from the congestion relief market (CRM residue from CRM trading) should be redistributed to participants in the CRM. The proposed solution for these residues to be allocated to TNSPs or to retailers represents a transfer of money away from participants, which will act as a disincentive for participation. Windlab believes the CRM has great potential to alleviate congestion on the grid. The design of the CRM should not be placing unnecessary disincentives to participation.

## **Priority access: maintaining a fair balance in the allocation of congestion**

AEMO's ISP confirms that it is more efficient to have a certain amount of curtailment of renewables rather than building sufficient transmission and storage to capture every last watt of generation. The Step Change scenario has approximately 20% curtailment by 2050. It will not be fair for existing generators and also those built in the next decade to be spared most of this curtailment. If the latter half of generation must bear most of the curtailment, then they would lose almost 40% of generation, severely impacting their ability to reach financial close. Such an outcome will result in a dramatic slow-down in renewable construction well before the grid is mostly decarbonised.

The allocation of congestion between early and latter generators will be heavily impacted by whether the priority is offered 'hard' or 'soft', and the duration of priority access. To keep the balance fair between early & latter generators, it is important that a 'hard' priority option is not paired with a long duration of priority access, as this will result in too much congestion being allocated to latter generators. Windlab is supportive of a relatively 'hard' priority access paired with a duration of around 10 years. This ought to provide sufficient certainty to those projects attempting to reach financial close in the near-term, while still maintaining a reasonable balance in future congestion allocation.

## **Congestion Relief Market settlement residues**

The use of marginal loss factors (MLFs) has resulted in significant intra-regional settlement residues in the NEM. Each quarter, AEMO collects \$10m-\$100m more from retailers than it pays to generators. It is plausible that a similar (but smaller) outcome could occur in the CRM.

The proposed solution to allocate CRM residue to TNSPs or retailers represents a flow of money away from participants in the CRM. It could therefore be thought of as a tax on participation in the CRM. However, unlike MLFs (which are unavoidable for generators), the CRM is opt-in and the proposed arrangement is likely to disincentivise participation.

Additionally, it is not clear that consumers would benefit overall via allocating CRM residue to TNSPs or retailers. The negative effect of increased wholesale prices due to low participation rates and hence poor congestion outcomes is likely to exceed any possible benefits.

Windlab believes that the CRM has great potential to alleviate congestion on the grid. It is therefore essential that the design of the CRM does not place any unnecessary disincentives on participation. To ensure this is not the case, any CRM residues should be returned to CRM participants in an equitable manner.

### **Dave Osmond**

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