

FAST-TRACKING THE CHEAPEST, FAIREST PATH TO A LOWER-EMISSIONS POWER SYSTEM

Blueprint for transmission access reform 26 March 2020

Australia will replace most of its current generation stock by 2040. The AEMC has undertaken a major re-think of the national electricity market to integrate new technologies across the grid in ways that are reliable, secure and work best to benefit consumers.

The AEMC is working on new rules to help consumers benefit from the structural reform that's underway.

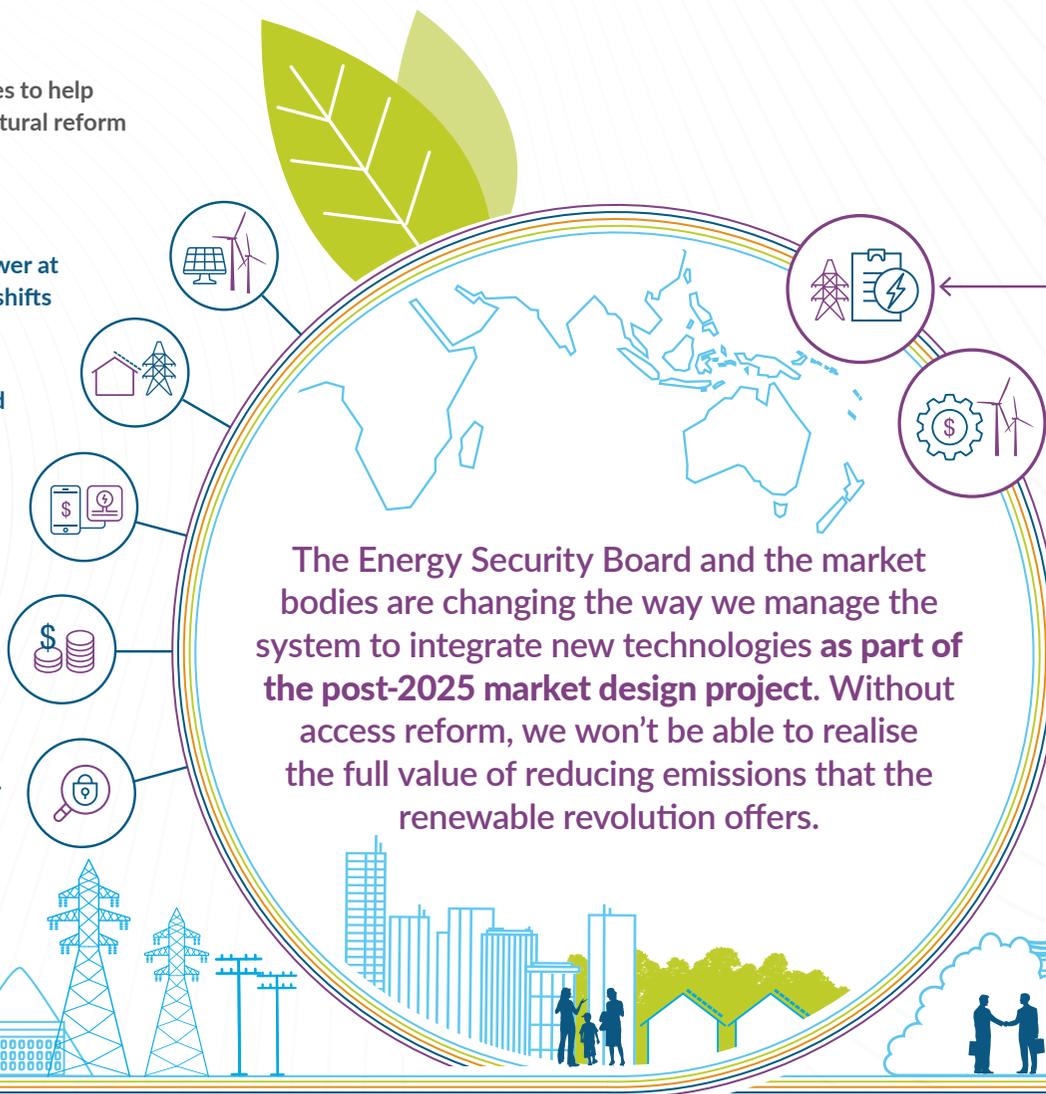
improving access to the grid so consumers get wind and solar power at lowest cost as the power system shifts

integrating solar PV units on millions of properties into the grid

increasing opportunities for people to use smart technologies to self-manage their energy and bills

providing the right financial incentives for investment

and in the face of all that – fixing the system security challenges that come with new technologies.



The solution

We must overcome the congestion/access issues that are slowing down the grid and stopping the cheapest combination of new energy technologies reaching the market. The solution has two levers.

Lever 1 – planning and building transmission

Pulled by the market operator, AEMO, when it publishes its biennial Integrated System Plan (ISP) showing what transmission investment needs to be actioned.

Lever 2 – getting on to the grid

Pulled by the rule maker, the AEMC, in its work to improve signals for locating generation. We want to pay generators the value of supplying electricity from where they are. This would give new, mainly renewable generators, better information about where to locate in the grid and maximise the amount of power getting to consumers.



NEW DEAL FOR TRANSMISSION ACCESS AND INVESTMENT

Transmission access report 26 March 2020

Transmission access reform

Reforming access to transmission is key to any future market design. The reform is a key component of the Energy Security Board's post-2025 market design project. Evidence from overseas markets where these reforms are already in place show they're successful and flexible enough to support a variety of different market structures and designs.

Protecting consumers from paying too much

Transmission networks cost many billions of dollars to build. And once built, it's consumers who pay for them - for decades. The AEMC's blueprint for access reform, above all, aims to make sure the power system makes the very best use of transmission. This protects consumers from paying more than they need to.

Making sure consumers get the cheapest, lowest emissions energy

The new price signals will preference lowest cost and lowest emissions energy. These signals support the transmission investment we need without repeating the gold plating mistakes of the past.

Generators will get better information on where to invest and more certainty on what profits they could make. We also propose ways to help industry through this transition so everyone benefits in the long term.



While new for Australia these reforms are already working well around the world.

CHANGES WE'RE PROPOSING

Pay generators for the actual value of supplying electricity where they are physically located through a new system of locational marginal pricing. This more precise market instrument would better reflect the different value of generators depending on where they are located.

Allow generators to hedge for changes in revenue when local prices are lower by paying for financial transmission rights. This would give them a risk management tool to lessen the uncertainty around the amount of profit they will make.

EFFECTS

Gives generators an incentive to factor transmission congestion into location/investment decisions

Helps the market operate more efficiently

Reduces costs for consumers

More certainty around profit levels

Lower cost of capital

Easier investment decisions for generators

Next steps

Over 2020 we will develop further details on the new transmission access model as a component of the post-2025 market design project.

The AEMC will deliver a package of rules before the end of the year to make this reform happen.