



OFFICE OF THE CHIEF EXECUTIVE

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Ms Anne Pearson
Chief Executive
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Attention: Therese Grace
Email: therese.grace@aemc.gov.au

Dear Anne

**Powerlink Queensland Submission: Coordination of Generation and
Transmission Investment – Discussion Paper (PR0052)**

Powerlink Queensland (Powerlink) welcomes the opportunity to provide a response to the AEMC's Discussion Paper on its *Coordination of Generation and Transmission Investment Review* (the Review).

Powerlink supports the objectives of the Review to improve the coordination of generation and transmission network investment to ensure the National Electricity Market (NEM) and supporting regulatory and planning frameworks are able to deliver reliable and whole of system value for consumers.

Powerlink's key concerns relate to:

- *Coordination* - that more proactive coordination of reviews and other regulatory developments across the NEM occurs through the Energy Security Board (ESB); and
- *Renewable Energy Zones* - that the regulatory framework must be sufficiently flexible to enable the development of a planned pathway through a variety of mechanisms, including better facilitation of market-led investments;

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Coordination through the Energy Security Board

The challenge of coordinating transmission planning and renewable generation investment was explicitly recognised in the *Independent Review into the Future Security of the National Electricity Market* (the Finkel Review). The need for coordinated action resulted in a Finkel recommendation for the ESB to provide whole of system oversight and to facilitate better planning, coordination and action between governments, the Energy Council and market bodies. This coordination role was recently reinforced at the COAG Energy Council's meeting in April 2018¹.

Powerlink strongly encourages all industry bodies to more proactively coordinate reviews and other regulatory developments across the NEM. This is particularly important at this time, with multiple review processes underway. Powerlink considers that a much more coordinated approach would:

- facilitate more considered input from stakeholders, who could have regard to final positions from pre-requisite processes/reviews in framing their input to subsequent reviews (such as this Review); and
- be more efficient and practical for both stakeholders who are providing input as well as the organisations who are conducting them.

AEMO's inaugural Integrated System Plan (ISP) will be released in June 2018. The ISP is intended to strategically inform the future generation profile and ensure any transmission system development needs are optimised. Within this context, Powerlink proposes that AEMO's work in developing the ISP be given the opportunity to reach its conclusion before other inter-related work streams, including this Review are progressed.

Design Options for Renewable Energy Zones (REZs)

Powerlink's focus is on solutions that deliver the best outcome for customers and to ensure that any regulated network investment is prudent, efficient and assists in delivering the best whole-of-system value for consumers.

Powerlink notes that at the start of stage 2 of the Review, the AEMC identified a broad spectrum of options to coordinate generation and transmission investment in the NEM. These options sought to transfer some risk from consumers to generators in return for financial access, while other options focussed more on facilitating transmission planning outcomes. Powerlink considers there are a range of options to improve coordination between generation and transmission investment which can also be delivered efficiently and in the long-term interests of consumers.

In its Discussion Paper, the AEMC posed various design options to develop REZs, which ranged from fully prescribed (or regulated) to fully non-prescribed (or non-regulated). Powerlink considers that any of these options could be applied where appropriate, recognising that some may require amendments to the Rules and current regulatory arrangements. Importantly, the regulatory framework must be sufficiently flexible to accommodate the range of development options with risks being appropriately considered and managed in the interests of consumers. AEMO's

¹ Transmission Planning and Interconnection - Ministers agreed the ESB would have responsibility for coordinating the work of the energy market bodies on planning and regulation of the transmission system and interconnection, and report to Ministers at the August 2018 meeting about the progress of this coordinated work, COAG Energy Council, *Meeting Communique*, 20 April 2018.

intended to play a key role in identifying potential strategic investments and should similarly provide robust whole of system technical and economic analysis.

The strategic transmission investments identified in the ISP could be implemented through either application of the RIT-T, non-regulated investments (single or shared) or other potential options which are yet to be identified. In the case of a subsequent RIT-T assessment, AEMO's analysis could inform the detailed analysis undertaken by the relevant TNSP in conducting the RIT-T, particularly for shared network regulated investments. However, specific RIT-T assessments may need to include additional scenarios or variants on AEMO's scenarios to account for, for example, new local information. In other circumstances, the RIT-T may not be the appropriate vehicle to facilitate developments that may involve more challenging timeframes and/or capture economy-wide benefits. In these cases, an alternative form of cost benefit test could be applied. Development may also occur through shared non-prescribed arrangements through agreement with proponents or other parties.

Information Disclosure

In Powerlink's experience, a significant barrier to co-optimisation of transmission on a non-regulated basis by multiple generation developments is the restrictions on TNSPs which prevent sharing of information with multiple proponents seeking connection to the transmission network within a region or zone. While we recognise the original reasons for the confidentiality provisions in the current Rules and the competitive drivers behind such behaviour, greater overall power system and consumer benefits from sharing information and investment needs will now occur with the significant changes to generation underway. We encourage the AEMC to further consider how alternative arrangements to manage commercially confidential information may assist in promoting scale efficient transmission development through market-led solutions.

If you have any questions in relation to this submission or would like to meet with Powerlink, please contact Jennifer Harris.

Yours sincerely



Merryn York
Chief Executive

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