

21 February 2019

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

Lodged online: www.aemc.gov.au

Dear Ms Pearson

Response to the Australian Energy Market Commission's (AEMC) Early Implementation of ISP Priority Projects Consultation Paper (January 2019) - ERC0258

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in solar, wind, hydro, bioenergy, marine and geothermal energy, and energy storage along with more than 6,000 solar installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter, cleaner, and economically efficient.

The CEC welcomes the opportunity to provide high-level feedback on this rule change proposal lodged by Dr Kerry Schott AO in December 2018. We understand that the purpose of the proposed amendment to the National Electricity Rules (NER) is to streamline the regulatory process for two priority projects identified in the Australian Energy Market Operator's (AEMO) 2018 Integrated System Plan (ISP).

The proposal relates to minor upgrades to the primary interconnectors linking NSW with Queensland, and NSW with Victoria. The CEC endorses the Energy Security Board's (ESB) considered view that these upgrades need to be completed before the likely retirement of the Liddell Power Station in NSW in early 2022. To meet this timeframe, Dr Schott proposes changes to the NER to reduce the time between the completion of the Regulatory Investment Test - Transmission (RIT-T) for these projects, and when the Australian Energy Regulator (AER) determines whether the transmission businesses can recover the cost of these projects.

The CEC supports in principle, the intent of the proposed rule change. Importantly, we recognise that:

- (i) The proposal does not remove any steps in the post RIT-T regulatory process, but endeavours to save time by allowing the AER to undertake three processes, namely managing the RIT-T dispute process, completing a NER clause 5.16.6 approval determination, and AER revenue approval (satisfying a contingent project application) concurrently, rather than sequentially.
- (ii) On 19 December 2018, the COAG Energy Council agreed to the ESB recommendation to progress these proposed changes in this particular way.

We consider there are two issues the AEMC must consider and address in its Final Determination:

1. Under existing regulatory arrangements, the post RIT-T AER review and approval processes do not apply in Victoria. Contestability for all network augmentation projects greater than \$6 million is required in Victoria, and the current process to issue a tender, seek tender responses, review, award and negotiate contracts will still be fulsomely required post the RIT-T. Consequently, the rule change will have no material impact on the project timeline for the Victorian component of any Victoria - NSW interconnector upgrade.
2. Powerlink and TransGrid's current Project Specification Consultation Report includes a 'Group 2' potential upgrade to the Queensland – NSW interconnector in addition to the designated 'Group 1' ISP project. This situation has not been adequately discussed in the AEMC's Consultation Paper and should therefore be discussed in the Final Determination.

The CEC would also like to remind the AEMC to ensure the rule drafting is consistent with good regulatory practice and does not inadvertently lead to any unworkable regulatory outcomes that would be inconsistent with the specific intent of this proposal. There are some member concerns with the current drafting accompanying the rule change proposal in relation to the likely operation of Rule clause 6A.8.2(b)(1) on the 'ninety business day' prohibiting rule, compared to what is also proposed in the transitional (Chapter 11) arrangements. This ambiguity could have potential timing implications for Transmission Network Service Provider's cost recovery (that may result in an additional financial year's lag in which a business may recover the costs of relevant projects) and lead to an inadvertent divergence from existing transmission pricing practices, previously determined by the AEMC.

If you would like to discuss any of the issues raised in this submission, please contact either Lillian Patterson (Director Energy Transformation) on (03) 9929 4142 or lpatterson@cleanenergycouncil.org.au or myself, as outlined below.

Yours Sincerely,

[Original signed]

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