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Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

RE: Transparency of new projects Consultation Paper

ERM Power Limited (ERM Power) welcomes the opportunity to respond to the Australian Energy Market Commission (AEMC)'s Transparency of new projects Consultation Paper, which consults on a consolidated rule change request to increase the transparency of new projects and increase information provision in the National Electricity Market (NEM).

About ERM Power

ERM Power is an Australian energy company operating electricity sales, generation and energy solutions businesses. The Company has grown to become the second largest electricity provider to commercial businesses and industrials in Australia by load[1], with operations in every state and the Australian Capital Territory. A growing range of energy solutions products and services are being delivered, including lighting and energy efficiency software and data analytics, to the Company's existing and new customer base. The Company operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland. www.ermpower.com.au

General comments

The power generation model of the NEM is shifting. Historically, a relatively small number of conventional power generators have supplied consumers with energy through connections to lengthy transmission networks, located at a reasonable distance from load and co-located with fuel resources. The central planning, construction and commissioning of these generators and associated transmission network infrastructure occurred over a relatively lengthy six to ten year timeframe. Due to the central planning approach, the project and power system planning and assessment was a highly regulated process.

The NEM is currently experiencing an increased number of primarily semi-scheduled[2] power generators connecting and seeking connections to the transmission network. This is occurring in electrical sub-regions where variable renewable energy resources are located, resulting in clusters of generation connecting and seeking connections in the same electrical sub-region of the network. This is occurring at various sub-regions around the transmission network, primarily in areas of lower voltage transmission network. This outcome is resulting in an increasingly distributed network of generation resources placing new integration requirements on the transmission network.

The rapid rate in which new generation can be planned, constructed and commissioned is placing pressure on existing transmission infrastructure. In addition, the lower level of transparency, particularly in the early planning stages regarding these projects is resulting in increasing difficulty from both a network planning and power system operations perspective. The capability of existing lower capacity transmission network infrastructure to facilitate an increasing number of new generator connections is limited, particularly when connections occur in the same sub-region of the network. New generation connections in these lower network capacity sub-regions are commonly resulting in increased network congestion and reduced network access for existing and new generators. This is problematic, as generator network access must be enabled to ensure efficient physical market dispatch.

[1] Based on ERM Power analysis of latest published financial information.
[2] AEMO may only impose an output cap on semi-scheduled generation

A driver of this network congestion is the limited availability of information to both existing and prospective market participants about the connections sought by prospective generators prior to the completion of a request for a connection agreement. This is compounded by the fact that in many instances the application for connection is not lodged until after construction activities have already commenced. Commonly, prospective and smaller existing generators have insufficient information available regarding how a prospective connection will impact dispatch and marginal loss factors in the region until after the connection occurs. A high number of new connections in areas of lower network capacity have the potential to limit the dispatch and marginal loss factors of both the new and existing generators, which had not been adequately considered within the planning and financing stages of the new generation. Unexpected limits to dispatch and negative changes to marginal loss factors can impact the financial and commercial viability of existing generation. This is an undesirable outcome for efficient market operation and ensuring availability of reliable supply.

As noted by our submission to the AEMC's Coordination of Generation and Transmission Investment review, ERM Power supports increased transparency in the publication of existing uncongested network headroom and the earlier publication of details regarding network connection enquiries. We fully support this consolidated rule change request. It is important that solutions are implemented to ensure that the connection of new generation is facilitated in an efficient way. ERM Power believes that the provision of accurate, timely and transparent information is essential for achieving efficient investment in transmission and generation infrastructure in the NEM.

Information sharing between AEMO, network service providers and new project proponents

ERM Power believes that the transparent provision of relevant and accurate generator information is not currently available to the market. New connecting generators do not currently have the required information about the capability of a network zone to facilitate new connections. This limits their ability to make informed assessments about the impact of a new connection on the dispatch outcomes of their plant and existing plant, creating uncertainty for the financial operation of the new and existing generators.

ERM Power believe there is currently an imbalance of available information between Network Service Providers (NSPs) and new and existing generators. Relevant NSPs are currently the only party with information on potential connections at the connection enquiry stage of the connection process, although there is potential for the connection to impact network access for existing generation. We believe that information asymmetry is resulting in inefficiencies during the connection planning stage, where the potential for cooperation between parties to consider potential options to alleviate congestion risk between NSPs, existing and proposed generators is not occurring. ERM Power believe that information asymmetry can be improved through the implementation of this rule change.

Intending Participant category

We note the issue raised in the Consultation Paper that information asymmetry during the connection negotiations is currently being exacerbated by the emerging role of developers. The evolution of the market is seeing an increase in the number of parties planning and building new generation plant with the intention of on-selling the assets prior to connection to the grid. These parties do not currently meet the National Electricity Rules (NER) requirements to classify within the 'Intending Participant' category, creating additional barriers for these parties to access information deemed confidential under the NER. This includes information which is required for the planning and build of new plant, including network modelling data. This creates additional limits to understanding on the potential for limited dispatch and network congestion during the planning stage for developers. As such, ERM Power supports the rationale to amend rule 2.7 of the NER to create an 'Intending Participant' category to include these participants.

ERM Power believes that information provision between participants should be a reciprocate process. We support the suggestion that 'Intending Participants' should notify AEMO if information provided during a proponent's registration process changes during project development. We also support the proposal that 'Intending Participants' should be required to notify AEMO as soon as reasonably practicable when they become aware of 'protected' or

‘confidential’ information which has entered the public domain. We note that the Consultation Paper does not consider a timeframe for when a developer must lodge registration as an ‘Intending Participant’. We recommend that this should occur when a Development Application has been lodged.

Published information from Network Service Providers

The connection capability information currently published in NSPs Annual Planning Reports (APRs) is insufficient for the purpose of allowing prospective participants to initially assess the capability of the network to allow uncongested network access. We believe this area of information in the APRs requires further development. The proposal to amend clause 5.3.8, to explicitly allow NSPs to publish and release the proponent name, size, location, completion date, primary technology and function information regarding a connection enquiry or connection through the Transmission Annual Planning Report would address this issue. We agree this should be published at the enquiry stage of the connection process.

Confidentiality provisions

ERM Power understands the concerns raised about confidentiality with increased publishing of generator and network information. We understand that this rule change will allow developers access to bid and offer validation data, information for the modelling of power system simulation studies, and detail on network operation and maintenance procedures, even though they may not intend to act as the eventual market participants.

At this stage, we believe this does not provide a sufficient risk to warrant a rejection of the rule change. We do not see evidence in the NEM which suggests that allowing developers access to information of the type listed will result in negative commercial impacts for existing and prospective generators. We believe the Australian Energy Council (AEC)’s proposal to de-register intending participants who have not developed their project for a specified period adequately addresses this potential risk.

Improvements to the generation information page

ERM Power recommends that all new generator connections and changes to existing generator connections be registered by the NSP at the time of the connection enquiry, and subsequently submitted to AEMO. AEMO should be required to maintain a register of these connection enquiries, including details of the connection point and publish updates of this information to the market, as regularly as possible. ERM Power believe that AEMO should update its generation information page more frequently than current practice, and at least monthly.

Conclusion

ERM Power is supportive of the consolidated rule change. We believe that improved information provision to the market will facilitate a more efficient connection process for proposed generators, and allow new and existing generators to cooperate to manage optimal system strength and dispatch outcomes for connecting and existing generators in a transmission network region.

We would welcome the opportunity to discuss this submission further.

Yours sincerely

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