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23 May 2019

Thomas Lozanov
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Lozanov

ERC0257 – Essential Energy submission on the consultation paper – Transparency of new projects rule change

Thank you for the opportunity to provide a submission to the Australian Energy Market Commission's (AEMC or Commission) consultation paper published on 18 April 2019 as part of the Transparency of new projects rule change (the rule change).

Essential Energy supports the intent of this rule change and agrees with the rule change proponents that making more information available to the market regarding generator connections is in the long-term interests of consumers.

Essential Energy has experience with many of the issues raised in the rule change proposals and welcomes the proposed changes to improve the connection process for all parties involved. Given the increase in the number of connection enquiries and applications, any measures that reduce the need for duplication of work for all parties in the connection process is welcome.

Any information that is provided to the market as a result of this rule change should be credible, consistent and accurate. The Commission should carefully consider who is best placed to provide and publish information to ensure that there are not conflicting datasets available. Having 'one source of truth' for all stakeholders is important so that there is limited scope for confusion. Consistent information will be required if the rule change is to achieve its stated aims of improving the efficiency of the connection process.

Our response to the issues raised in the consultation paper is attached to this letter. If you have any questions in relation to this submission, please contact Therese Grace, Regulatory Strategy Manager on 02 9249 3121 or therese.grace@essentialenergy.com.au.

Yours sincerely

A handwritten signature in black ink that reads "Chantelle Bramley".

Chantelle Bramley
General Manager, Strategy, Regulation and Transformation

Essential Energy submission to the consultation paper

General comments

Essential Energy supports the intent of this rule change. We welcome any measures that will improve the quantity and quality of information available to connection applicants and Network Service Providers (NSP) when submitting and processing connection applications.

Essential Energy assesses connection applications on their impact to the network, as shown in models and analysis prepared by the applicant. These analyses incorporate committed generation, and newly committed generation may require applicants to undertake a sensitivity analysis to determine whether they are impacted, and potentially to prepare new analyses (rework) to update existing applications.

in the last 6 months Essential Energy has received ten notifications of newly committed generation on the TransGrid and Essential Energy networks, with fifteen applications in assessment potentially impacted. Improving the information available to connection applicants may reduce the number of applications that require rework of this type.

Essential Energy notes that this rule change is being considered at a time when the Commission is also examining access arrangements at the transmission level. The current open access system is leading to situations where connection applicants are competing for access to the network and the timing of connection to the network is very significant to the financial viability of generation projects.

Essential Energy encourages the Commission to consider implications for distribution networks as it examines the issues of connections and access arrangements in the NEM.

Open access also does not provide an incentive for prospective generators to provide accurate or up-to-date information to the market. This is because withholding information about their intentions may provide a competitive advantage as other generators may not be aware of a project in the vicinity which would have implications for their business model and project finance. In the case of such a market failure, regulatory intervention in the form of information provision requirements may be in the long-term interests of consumers.

AEMO's generation information page

The proposal to formalise the status of the Australian Energy Market Operator's (AEMO) generation information page appears reasonable. This page would provide important information on the status of new generation projects across the NEM. The provision of data from AEMO would be beneficial as the data would be centralised and would not require proponents who are canvassing areas across the NEM to search for information from numerous sources.

Formalising the status of the AEMO generation information page would require NSPs to formalise their processes for providing information regarding generator connections to AEMO.

Intending participant category

Essential Energy agrees with the Commission's analysis that the business model of new generation proponents has changed in recent years. Projects from developers who will sell the generator after connection has become more common and as a result the review of the intending participant category is timely and necessary.

The business model that underlies a generation project should not determine the information the proponent receives through the connection process. This is because the outcome of the connection is the same and will have the same impact on the network regardless of who the project proponent is.

Essential Energy has encountered situations where the definition of intending participant has prohibited us from providing information to connection applicants. This is not sustainable going forward and we support the proposed changes to the intending participant category.

Changes to projects during connection process

Essential Energy agrees with the proposal that project proponents should be required to inform AEMO of changes to projects as the connection process progresses.

We have experience of connections that change significantly over the course of the connection process as further studies and changes to the project financing occur. One example is a connection proponent that began a connection application process for a generator of over 100MW capacity but after iterations of studies and taking into consideration newly committed plant and network changes reduced this generation capacity by more than half.

This example highlights the potentially significant changes that can occur during the connection process and the value of having information about these changes provided to AEMO.

Information provision requirements

Essential Energy considers that the proposal put forward by Energy Networks Australia (ENA) and the proposal for AEMO's generation information page to be put on a formal footing may represent some duplication. The Commission should consider the potential interaction and overlap between the information that transmission network service providers (TNSP) would be required to provide under this proposal with the proposal to formalise AEMO's generation information page.

As stated, we agree that more information regarding connections is welcome. However, this should be guided by a number of principles, including:

- The administrative costs of providing the information should be minimised - requiring multiple parties to provide the same or similar information about connections may increase costs unnecessarily.
- There should be 'one source of truth' regarding connections – having multiple parties providing data could result in inconsistent or conflicting information. This may occur, for example, if the datasets were updated at different frequencies.
- The requirement to provide information should be placed on the party best placed to provide the information – consideration should be given as to who has all of the required information or can most easily obtain the information.

If the ENA proposal is accepted further consideration of which NSPs are covered by the information provision requirements would be needed. As connections occur at both the transmission and distribution level consideration would be needed as to whether the proposal should also apply to distribution network service providers (DNSP). Any changes to information provision requirements related to connections should be considered in the context of maintaining competitive neutrality between transmission and distribution networks.