

Thomas Lozanov
Australian Energy Markets Commission
Submitted via AEMC website
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Dear Mr Lozanov,

Infrastructure Capital Group (**ICG**) welcomes the opportunity to respond to the Australian Energy Markets Commission (**AEMC**) consultation in relation to Transparency of New Projects Rules in the National Energy Market (**NEM**).

About ICG

ICG is an independent Australian specialist infrastructure funds management firm, with unitholders including some of Australia's largest institutional investors as well as international institutional investors. ICG has c. A\$2.0bn of equity funds under management and has a longstanding track-record in managing a diverse portfolio of renewable generation, power and utility assets. ICG is the third largest independent manager of operating renewable generation assets in Australia with a portfolio of c. 450MW across 5 wind generation assets. In 2018, ICG established the Australian Renewables Income Fund (**ARIF**), a fund specifically targeting investments in development and operational renewable generation assets in Australia. ICG's managed funds have the capacity and capabilities to support the Australian energy transition and are actively seeking to invest in a growing portfolio of renewable generation and storage assets, including development projects.

General feedback

As infrastructure investors seeking exposure to long-term and stable cashflows, we value any changes that enhance the transparency and certainty of the energy policy framework. We believe that greater certainty will lead to attracting capital providers with low cost of capital requirements which in turn will result in lower cost of energy to final consumers. We are therefore supportive of the proposed rule changes that aim at improving information access and transparency for new and existing generation projects.

In addition to information being disclosed by developers to Network Service Providers (**NSPs**), AEMO, and where publicly disclosed, to other developers, we emphasise the importance of AEMO sharing any information in relation to assumptions and methodology used to calculate

forward-looking Marginal Loss Factors (**MLF**), including consumption-related assumptions, in a transparent and timely manner. We have undertaken due diligence on a number of solar PV projects over the past 18 months, and have found that one of the key drivers behind a lack of predictability of short-term MLF forecasts is the variability and differences of consumption assumptions adopted by AEMO between its various reports (eg. the Energy Consumption Forecasts 2018 and the MLF FY19/20 reports).

Issues for consultation

Information provision for developers

We support the rule change that would allow developers to register as intending participants. The additional information available to the developer would facilitate the due diligence, financing and valuation processes to invest in new generation projects.

However, we believe AEMO should also introduce a registration requirement whereby a developer must demonstrate it has an adequate financial capacity and capability to successfully develop its proposed project(s).

New business models

An SPV owning a generation project is a relatively common investment structure for infrastructure investors and it facilitates the project financing processes. We support the ability for SPVs to be registered as intending participants subject to an ownership test whereby the owner must demonstrate it has sufficient experience and capabilities to successfully develop its proposed project(s).

Timing of information provision

The connection application process is a relatively large cost for a developer and often requires extensive grid due diligence to confirm the viability and economics of a project to be carried out ahead of submitting a connection application. In this regard, we believe that the ability for an early-stage development project (with secured land and a development approval) to access the information would further assist in assessing and building a business case for a project.

Notification of project changes

We believe that up to date information is critical to allow all market participants to assess the status of the pipeline of generation projects and their likelihood to proceed, therefore we believe it would be very helpful to extend an obligation for transparency to all pipeline projects, both intending and registered.

We believe the proposed 10 business days is an adequate timeframe to provide updates on the status of projects. We also believe there should be a requirement to provide regular updates (eg. quarterly) even when there is no progress on the project, to ensure the status of the project is up to date and market participants can have an additional datapoint to assess the likelihood of a project proceeding to the construction and the operational phase.

Publication of Data by NSPs

We agree with the proposed role of the NSPs in coordinating generation connections and facilitating information transfer. In addition to the information outlined on page 32 of the consultation paper, we believe it would be important to also publish:

- Ownership of the project (in case the proponent is an SPV)
- Reliance on third-party funding (ie. if the proponent will be relying on third-party equity and/or debt providers to fund the project or it intends to fund it itself).

This would provide a very useful datapoint for market participants to assess the likelihood of a project proceeding to the construction and the operational phase.

AEMO's generation information page

We believe it would be helpful for market participants if AEMO enhanced the information it shares on its website and provide updates on a regular basis. Bi-monthly or quarterly appears to be an appropriate balance between having up to date information and the administrative burden for AEMO to report such information.

It would also be useful if AEMO could enhance the transparency of its calculation methodologies and assumptions, for example in relation to the calculation of Marginal Loss Factors, in order to improve the accuracy and reliability of forecasts provided by market forecasting consultants to market participants.

ICG remains available and open for further discussions with the AEMC and other market participants regarding the proposed market reforms, including through working groups in which the perspectives of investors may be useful.

Yours sincerely,



Tom Laidlaw

Managing Director

Infrastructure Capital Group Limited