



Thursday, 12 September 2019

Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

### **RE: Transparency of new projects – Draft determination**

ERM Power Limited (ERM Power) welcomes the opportunity to respond to the Australian Energy Market Commission (the Commission)'s Transparency of new projects Draft determination, which makes a draft rule 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<sup>1</sup>, 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.

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#### **General comments**

The transmission network of the NEM is currently experiencing an increasing number of power generators connecting and seeking connections. This influx of new connections and prospective generation, primarily renewable generation, is a divergence from the centralised generation planning and investment model which historically dictated investment in the NEM. This is resulting in an increasingly distributed network of generation resources locating in areas of the transmission network not originally designed for generation connection. This places strain on the transmission network from integration requirements of new generation.

The early planning stages of these new generation projects has been characterised by low levels of information transparency, with limited information available to existing or intending participants regarding the connections sought by prospective generators prior to the completion of a connection agreement request. This is a key driver of network congestion and power system security issues currently observed in the NEM, with multiple new connections being undertaken in the same electrical sub-region of the network. This has resulted in limited generator network access and issues with the secure operation of the power system. It has been observed that prospective generators undertaking project planning analyses do not have adequate information to assess how their proposed connection will impact both dispatch and operation of the power system. This means unexpected limits to dispatch have not been considered during the planning and financing stages of new generation.

ERM Power believes that the transparent provision of accurate information is critical for ensuring efficient investment in the NEM. As such, we support the Commission's draft determination to make a Transparency of New Projects rule change. We believe that the Commission's draft determination provides a measured consideration of the information and confidentiality requirements of developing grid-scale assets and the safe, secure connection of assets. In particular:

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<sup>1</sup> Based on ERM Power analysis of latest published financial information.



- We accept the need for developers to access sufficient market and network information for the development of grid-scale assets has been addressed in the new draft rule, with provision of information available under confidentiality clauses
- The requirement for publication of connection information from Network Service Providers (NSPs) by the Australian Energy Market Operator (AEMO) has been codified in the rules to ensure a robust information provision procedure through improvements to the generation information page
- Confidentiality requirements have been addressed through an alternative solution in the proposed draft rule

We provide further comment on specific rule amendments below.

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

ERM Power supports the Commission's draft decision to address information asymmetry in the market. We believe that there is currently an imbalance of information between AEMO, NSPs and new and existing generators, resulting in unrealised potential for cooperation between negotiating parties to address both congestion and power system operations risk. ERM Power believe that information asymmetry can be improved through the implementation of this rule change.

#### *Intending Participant category*

This rule change has correctly sought to address the emerging role of developers in grid-scale asset development and connection negotiations. Developers who are not intending to act as generators do not currently meet the National Energy Rules (NER) requirements to access information deemed confidential under the NER. This impacts the ability for developers to adequately plan and model dispatch and network congestion.

ERM Power has previously supported the Commission's proposed approach to amend rule 2.7 of the NER to create an 'Intending Participant' category to include developer participants. This support is driven by the need for developers to be able to access information required to build safe and secure grid-scale assets. However, we accept the Commission's draft rule decision to allow developers access to information from AEMO under clause 3.13.3(k), subject to confidentiality provisions under clause 3.13.3 and rule 8.6 of the NER. We accept that this decision seeks to achieve the objective of resolving information asymmetry for developers in the market, while maintaining confidentiality safeguards.

We support the draft requirement for connection applicants to update TNSPs of any material changes to key connection information provided to TNSPs as part of a connection enquiry under rule 5.3, where that change occurs after the connection applicant has received a response from the TNSP to the connection enquiry. We believe this provides an alternative solution to the proposal for 'Intending Participants' to notify AEMO if information provided during a proponent's registration process changes during project development.

We support the Commission's view that the proposed draft rule removes the requirement for 'Intending Participants' to notify AEMO as soon as reasonably practicable when they become aware of 'protected' or 'confidential' information which has entered the public domain. This objective will be achieved through the draft rule requiring NSPs to provide both initial and changed connection information to AEMO. With regards to the proposed draft amendment to Chapter 10 – Glossary for *key connection information*, we suggest a minor amendment to also include the "connection point location" in the list of key connection information to provide clarity regarding the physical connection point for the proposed new generation. This will allow a more accurate assessment of post connection network capability to be made by both existing and intending participants.

#### *Published information from Network Service Providers*

ERM Power believe that the publication of connection capability information from the NSPs is essential. To date, the connection capability information of the NSPs Annual Planning Reports (APRs) has required further



development as generally, the details provided in the APRs have failed to adequately detail available uncongested headroom. We support the decision to amend clause 5.3.8 regarding publishing information on a connection enquiry or connection through the generator information page as a means of addressing information asymmetry between negotiating participants. We also support the provision of key connection information received at the enquiry stage of the connection process, including details of the physical connection point location. This additional information will assist existing and intending participants to more fully understand the impact of a proposed project on network capability.

### **Confidentiality provisions**

We appreciate the requirements regarding confidentiality with increased publishing of generator and network information. This is particularly the case regarding potential developers having access to generator and network information, but without intention to act as market participants.

We believe the Australian Energy Council's (AEC) proposal to de-register 'intending participants' who have not developed their project for a specified period adequately addresses this risk. As such, we support the codification of rule 2.7 allowing AEMO to ensure that 'Intending Participants' continue to meet the criteria for registration in clause 2.7(a) and cease registration for 'Intending Participants' who do not meet that registration criteria.

We support the Commission's additional confidentiality protections through the amendment to clause 3.13.3, requiring project developers who are not 'Registered Participants' to request information from AEMO under provisions of confidentiality.

### **Improvements to the generation information page**

ERM Power supports improvements to the generation information page through maintenance of a register of connection enquiries. As such, we support the Commission's new draft rule 3.7F (b), setting the minimum requirements for the generation information page to contain a list of generating units for which formal commitments have (and have not) been made for construction or installation, and key connection information. We believe *key connection information* should include details of the physical connection point and believe this would be best achieved by a minor amendment to the draft rule to include this information.

We appreciate that the draft rule 3.7F (b) has included a minimum time period for which the generator information page must be updated to be quarterly. We support a minimum requirement being codified in the rules. However, the NEM is undergoing rapid and dynamic change and we believe quarterly updates will be insufficient for a power system that is rapidly changing. We would encourage the Commission to consider more frequent publications to the market and support the original AEC rule change for updates to be published on a monthly basis.

### **Conclusion**

ERM Power supports improving information asymmetry between existing and intending market participants, particularly between negotiating participants of connection applications. We believe the Commission's draft determination generally provides a measured decision, which considers the needs of grid-scale asset developers for adequate market and network information during the project planning stage, and the requirements for confidentiality of market and project data. We would encourage the Commission to consider more frequent publications on generation information as appropriate for a market undergoing unprecedented change.

We would welcome the opportunity to discuss this submission further.

Yours sincerely



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