

12 November 2019

Ms Jess Boddington
Project Leader, Coordination of Generation and Transmission Investment Review
Australian Energy Markets Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

By electronic lodgment: <https://www.aemc.gov.au/contact-us/lodge-submission>

Dear Ms Boddington

RE: COORDINATION OF GENERATION AND TRANSMISSION INVESTMENT REVIEW – PROPOSED ACCESS MODEL (EPR0073)

Aurora Energy welcomes the opportunity to provide feedback on the Australian Energy Market Commission's (AEMC's) Coordination of Generation and Transmission Infrastructure Proposed Access Model Discussion Paper (the Discussion Paper).

Aurora Energy is a Tasmanian Government owned energy retailer, providing energy services to over 99 per cent of Tasmania's electricity customers. As a stand-alone retailer supplying over 280,000 Tasmanian residential and business customers, Aurora Energy's core focus is to generate value for its customers and the broader Tasmanian community.

Aurora Energy supports an approach to transmission access reform that is in the long term best interest of customers. Aurora Energy is of the view that any approach adopted to facilitate greater coordination between generation and transmission investment must clearly demonstrate efficiency gains and result in least-cost outcomes for customers as the National Electricity Market transitions to lower emissions generation sources.

Aurora Energy appreciates the work that the AEMC has undertaken to date in developing the proposed access model. However, Aurora Energy has concerns regarding the process outlined for the reform, whereby the majority of the detailed technical design work on the reforms will be deferred until consideration of a Rule Change process in early 2020. Aurora Energy also observes the AEMC's proposed reforms have inherent co-dependencies with the Energy Security Board's post-2025 market design work, thus key design features of the transmission access regime cannot be reasonably determined until at least early 2021.

The lack of technical detail and a proposed start date of 2022 are likely to present a significant risk to generators who have currently sold, or are seeking to sell, forward contracts covering the post 2022 period. Aurora Energy is concerned that to mitigate this risk, generators may withhold selling forward contracts covering post July 2022 periods with the resultant impact being reduced market liquidity and increased forward contract prices. Such an outcome would appear to be at odds with the Discussion Paper's stated objective of achieving least-cost wholesale outcomes for customers.

Furthermore, current forward contracts already executed are presently settled at a Regional Reference Price (RRP). Aurora Energy questions whether existing forward derivative contracts and Power Purchase Agreement (PPA) arrangements can be transferred from a RRP to the proposed

Volume Weighted Average Price (VWAP), as these will differ in ways that will vary between regions. For example, is unclear how the changes in market price would be addressed in an existing standard derivative contract, and for a PPA these changes may trigger clauses enabling a counterparty to cease the arrangement. Aurora Energy suggests that legal advice on this matter could be helpful.

Given the issues described above, Aurora Energy is of the view that an implementation date for the proposed access reform should not be set at this time. Furthermore, to mitigate the expected impacts on the forward contract market noted above, the setting of an implementation date should be a minimum 36 months post the release of approved technical details of the reforms.

Aurora Energy also believes that moving from the current RRP to a VWAP would require major changes to market systems as well as participants trading systems that would likely outweigh the limited benefits. Aurora Energy suggest that these benefits could instead be achieved by retaining the RRP but with additional measures as considered in the Discussion Paper, including:

- capping the local prices at the RRP; or
- scaling local prices down or uplifting the RRP.

If you have any questions regarding this submission please contact Hayden Moore, Strategy & Policy Manager at hayden.moore@auroraenergy.com.au.

Yours sincerely



Oliver Cousland
Company Secretary / General Counsel