

8 November 2019



Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Pierce

ERP0073 Renewable Energy Zones – Discussion Paper

Ergon Energy Corporation Limited (Ergon Energy) and Energex Limited (Energex) welcome the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its Renewable Energy Zones (REZ) Discussion Paper (Discussion Paper).

This submission, which is available for publication, is provided by Ergon Energy and Energex as distribution network service providers (DNSPs) operating in Queensland.

Ergon Energy and Energex recognise that REZs as they are currently defined, only apply to transmission connected generators, clustering large renewable generation in a specific region. This by its nature excludes large generation projects connecting to the distribution networks. We have noted in several submissions to various AEMC consultations¹ that DNSPs are experiencing an equivalent level of generation connection enquires, particularly in Queensland. As at the end of September 2019, Ergon Energy and Energex had 25 committed projects under construction representing 871MW of total capacity. A further 100 projects are in various stages of the application process with a combined estimated capacity of 4.16GW.

Of key concern to our proponents are clarity, consistency and cost. Generation proponents and investors are, in our view, concerned with the path to market and risk of marginal loss factors, not whether they are connecting to a transmission network or distribution network. While the concept of REZs as proposed in the Discussion Paper may potentially result in lower costs for consumers, it does not ensure open and fair access to all networks, may increase confusion amongst proponents and financiers, and does not ensure that the objectives of the National Electricity Objective (NEO) are met.

¹ Energy Queensland submission to AEMC consultation on Transparency of New Projects Consultation Paper 23 May 2019; Ergon Energy and Energex submission to AEMC consultation on Transparency of New Projects Draft Determination 12 September 2019; Energy Queensland submission to AEMC Coordination of Generation and Transmission Investment – Access and Charging Consultation Paper 26 April 2019; Energy Queensland submission to AEMC Coordination of Generation and Transmission Investment – Access Reform Directions Paper 2 August 2019;

We note that in the Australian Energy Market Operator's (AEMO) Integrated System Plan Consultation Paper, it is stated that "*REZs are areas in the NEM [National Electricity Market] where clusters of large-scale renewable energy can be developed to promote economies of scale in high-resource areas and capture geographic and technological diversity in renewable resources*"². Further, in an AEMC media release on 14 October 2019, the AEMC Chairman John Pierce stated "*we are moving from a system of fewer, bigger generators concentrated in regions next to coalmines to one with lots of smaller generators that are far more geographically dispersed in places where the wind blows and the sun shines*"³.

As such, there may be a role for distribution networks where investment in these networks better serves the NEO and provides better technical and commercial outcomes than a REZ attached to a transmission network. Ergon Energy and Energex acknowledge that such a role, (and its associated model), has not yet been explored and would require extensive consultation. Accordingly, there may be benefit in allowing DNSPs, where relevant, to be provided with the regulatory tools to require generators to contribute to the upgrade of the upstream shared network, consistent with a connection to a transmission network.

We also wish to highlight that the overwhelming feedback from our customer engagement undertaken as part of our current regulatory reset process, was that our general customer base is not willing to absorb additional price increases. As such any funding model associated with a REZ framework applying to DNSPs would need to be developed on that basis.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact myself or Barbara Neil on (07) 4432 8464.

Yours Sincerely



Andrea Wold
Acting Manager Policy and Regulatory Reform

Telephone: (07) 3664 4970 / 0428 384 448

Email: andrea.wold@energyq.com.au

² AEMO (2017) Integrated System Plan Consultation p5.

³ https://www.aemc.gov.au/news-centre/media-releases/how-rewiring-australia-will-put-power-right-places?utm_medium=email&utm_campaign=New+AEMC+Update+-+14+October+2019&utm_content=aemc.gov.au%2Fnews-centre%2Fmedia-releases%2Fhow-rewiring-australia-will-put-power-right-places&utm_source=www.vision6.com.au, accessed on 28 October 2019.