

11 November 2019

Ms Jess Boddington
Advisor, Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Ms Boddington

Re: Coordination of generation and transmission investment implementation

Pacific Hydro welcomes the opportunity to make a submission on the Australian Energy Market Commission's (AEMC) proposed Coordination of Generation and Transmission Infrastructure (COGATI) Implementation Model (the Model).

Pacific Hydro owns a diverse portfolio of renewable energy generation assets in Australia and abroad with an installed capacity of 900 MW. Pacific Hydro also owns a growing energy retail business, Tango Energy, which serves customers across the National Electricity Market (NEM). As the NEM evolves, Pacific Hydro is committed to efficiently investing in Australia's future energy needs.

In meeting these needs, it must be recognised that the composition of the generation mix in the NEM has changed considerably over the last decade, as conventional thermal generation is being gradually replaced by an increasing proliferation of renewable energy. This has, in turn, altered the configuration of the transmission system, as new large scale renewable generation locates in areas where there is bountiful access to energy resources such as wind and sunlight.

Pacific Hydro understands that the proposed Model is intended to provide more efficient price signals and increased investment certainty for new generation development. However, insufficient information has been provided about the design and the net benefits of the Model to determine whether this objective is likely to be achieved.

Developers of new generation projects undertake modelling to understand how a project's proposed location on the grid will affect asset revenue with regard to network congestion and electricity losses over the lifespan of the investment. That said, the AEMC's proposed Model does not appear to provide developers and project investors with greater certainty around 'firm access' due to the relatively short-term nature of Financial Transmission Rights.

Further, the proposed implementation timeframe and expedited development of the Model, prior to the completion of the Energy Security Board's market framework review, will only exacerbate uncertainty for renewable energy investment in the short to medium-term. This uncertainty will increase financial risk, capital costs and inevitably deter future investment across the NEM.



While the AEMC has drawn parallels with other countries that have implemented similar models, Pacific Hydro considers that these comparisons do not appropriately account for the NEM's unique market idiosyncrasies. It needs to be kept in mind that every market is substantially different in terms of structure. Indeed, the NEM has a unique balance of energy quantum and physical size. There is no overseas market that can be used as example of hedging for dynamic loss factors, to assist our industry in better understanding this element of the proposed access model.

For these reasons, Pacific Hydro strongly encourages the AEMC to critically evaluate the costs and benefits of the Model.

Pacific Hydro welcomes further discussion in relation to this submission. To arrange a discussion, please contact me on (03) 8621 6281 or at aforsyth@pacifichydro.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read "aforsyth", written in a cursive style.

Alice Forsyth
Trading Manager
Pacific Hydro Pty Ltd