

Mr John Pierce
Chair
Australian Energy Market Commission

Via the AEMC website using the “lodge a submission” function

11 November 2019

Dear Mr Pierce

RE: Coordination of Generation and Transmission Investment – access and charging - EPR0073

The Queensland Electricity Users Network (QEUN) welcomes the opportunity to provide a consumer perspective to the AEMC’s Consultation Paper - Coordination of Generation and Transmission Investment (CoGATI) implementation – access and charging.

The QEUN is a consumer advocacy representing small business and residential consumers with a particular emphasis on regional consumers.

The QEUN is cognisant that without the coordination of generation and transmission investment, the generation/wholesale and transmission component of a retail price will rise contributing to the already unsustainable retail prices for business and residential consumers across the National Electricity Market (NEM).

Since the AEMC started the second CoGATI review in February 2019 major changes have taken place. Some of the unanticipated changes have major ramifications for the revenue sufficiency of all types of existing and new generation. The changes can adversely impact generation projects at all stages of development, including those at an advanced stage seeking connection to transmission infrastructure.

COAG Energy Council, the AEMC and system planners such as the Australian Energy Market Operator, cannot ignore the impact of sustained periods of negative wholesale electricity prices and marginal loss factors (MLFs) on the future generation mix in the NEM. Nor should policy makers and planners ignore the impact of negative prices and MLFs on the location of new generation, particularly renewable generation.

We are highly concerned that consumers are being asked to bank roll the ‘location’ decisions of generators, generators that in hindsight may prove to be unviable and/or unreliable with advances in technology. For example, it is possible that Australia may have a commercial green hydrogen industry by 2030, enabling existing gas turbines located close to load centres to be re-purposed to use hydrogen as a fuel source.

A NEM that is incapable of providing affordable, reliable and secure electricity from a resilient national grid will accelerate the death spiral for NEM supplied electricity. This will have profound implications for consumer power bills, the Australian economy and Australian jobs.

Consumers should not be exposed to the 'cost of location' decision of generators, regardless of whether the type of generation is renewable or fossil-fuelled. The cost of new or upgraded transmission infrastructure should be paid by the beneficiaries of the augmentation rather than being automatically transferred to consumers.

A generator (or group of generators) that are prepared to invest in transmission should be rewarded for their financial risk with an access property right up to the capacity created by their transmission investment. We understand an access property right can be conferred to generator/s without implementing the AEMC's proposed market driven Financial Transmission Rights (FTR).

The AEMC's proposed FTR is complicated, lacks liquidity and would be difficult to implement in the current environment where new generation is seeking to de-risk investments. New generation of any type is hesitant to proceed without a long term Power Purchase Agreement for most, if not all, of their output. With the added insecurity of annual changes in MLFs, it is difficult to believe that generators or banks would have an appetite for the financial risk of a new product such as the proposed FTR.

Instead of implementing complicated FTRs, we understand access property rights can be conferred to the generator/s by AEMO using the NEMDE constraint equation ie an easy to implement operational constraint.

Regardless of whether generator/s are prepared to invest in new transmission infrastructure, building new transmission infrastructure needs to be subjected to the Australian Energy Regulator's regulatory investment test (RIT-T). History has shown that long life transmission assets built on a 'merchant' basis have subsequently become regulatory assets paid for by consumers.

In summary, it is possible that an FTR could increase the financial risk of a generation project when secure access to transmission capacity could be achieved through a more simplified process; the completion of an AER RIT-T and AEMO using the NEMDE constraint equation to reward the generator/s with guaranteed access up to the capacity created by their transmission investment.

Thank you for the opportunity to provide a consumer perspective.

Yours faithfully

A handwritten signature in blue ink that reads "Jennifer Brownie".

Jennifer Brownie
Coordinator