Quinbrook Infrastructure Partners Pty Limited
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Australia

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Dear Australian Energy Market Commission,

Re: Coordination of Generation and Transmission Infrastructure Proposed Access Model

Quinbrook Infrastructure Partners (Quinbrook) is a globally active investment manager with offices in London, Houston, Sydney and the Gold Coast. Quinbrook manages capital on behalf of leading institutional investors from Europe, the United States and Australia. Quinbrook is an active investor in the Australian clean energy market and our current Australian portfolio is strongly diversified and includes Cape Byron Power (capebyronpower.com), one of the largest base load renewable generators in the National Electricity Market (NEM); Energy Locals, a Melbourne-based energy retailer, selected by Tesla and the South Australian government to partner in the world's largest Virtual Power Plant trial; the Lockyer Energy Project, an up to 1,000 MW fast response peaking power project in Queensland which was recently shortlisted by the Federal Government for the Underwriting New Generation Investments program; and Energy Trade, Australia's fastest growing embedded networks business.

The access reforms proposed by the Australian Energy Market Commission (AEMC), arguably the biggest reform in the NEM since conception, seem to Quinbrook to be rushed in their design and agitated by investors who in our view, simply failed to adequately recognise and price the risk of curtailment and changing Marginal Loss Factors (MLFs) in their investment assessment. The risk was evident to any prudent investor based on the rules as currently structured. The reasonable complaint to be made in hindsight is more about the scale of the changes that actually ensured. That was impossible to assess given imperfect visibility into the combined annual impact on MLFs of multiple new generator connections across all NEM regions. However, the proliferation of new connections was no secret and therefore it was a reasonably foreseeable risk. There could have been more signalling of likely outcomes or trends to the market but the outcomes themselves were not a devastating 'surprise' as some have claimed. This is an excuse for poor judgment.

We do not therefore support 'bailing out' renewable energy investors by implementing immediate changes to the MLF that discriminates in their favour retrospectively, i.e. with an Average Loss Factor. The curtailment, MLF and resulting revenue risks of building large-scale renewable power plants in remote locations in the NEM was well known to knowledgeable market participants and should have been given more weight in the original investment due diligence. MLFs were set up to ensure that the location of new generation was incentivised towards places on the network where it is most needed. The ALF proposal would run the risk of retrospectively subsidising certain investors who built renewable energy power stations in locations that were patently inefficient and socialising that cost across all market participants including those not so culpable.

If any change is needed, in Quinbrook's view, it is that as part of the initial electrical connection application process, a new project proponent should be able to compensate the relevant network operators for a comprehensive MLF study. While the MLF grid study would be non-binding, it could potentially be a better

indication of probable MLF outcomes as a result of the myriad of new build applications across the NEM than what a project proponent currently obtains from an external consultant.

The Locational Marginal Pricing (LMP) and Financial Transmission Rights (FTR), we believe, will give market participants yet another mechanism to financially game the market and is unlikely to fix acute transmission constraints. As a long-term investor, the ability to purchase only a fraction of FTRs up to four years is too short of a duration for a 25+ year investment. In addition to this, the FTR market will be limited to market participants only, which we acknowledge will limit market 'players', but may lock out developers and limit the scope and therefore liquidity in the market. We would typically like to see contracts for 10+ years as this matches the tenor of debt and offtake arrangements prevalent here in Australia.

The FTR process, including determining price, continuous or time of use markets, combinations of local to regional node markets, and dynamic MLFs, is complex and likely to increase the cost and bureaucracy of AEMO and will not provide firm transmission access to participants. The grandfathering of FTRs does not fix the problem as there are already capacity constraints, so not every participant can receive an FTR. Furthermore, FTR will likely just provide another financial (and not physical) method to game the market and potentially influence price formation in non-transparent ways. Commenting on significant changes like the COGATI is difficult with the level of detail provided in the discussion paper and consultation meeting. LMP will likely increase the basis risk as seen currently in the ERCOT market in the US. Basis risk is fast becoming a major hurdle to new investment and requires complicated PPA and funding structures to mitigate. Also, we believe that LMP will likely increase the market power of certain generators rather than decrease that power, hence reducing competitiveness and liquidity at a local level.

As a long-term energy infrastructure investor, we prioritise revenue certainty in our investment decision making. Due to the complexity of the reforms proposed, in particular the FTRs, we are unable to see how any reasonable investor could forecast firm generation and resulting revenues.

We believe that the proposed reforms will be unlikely to reduce this risk premium applied (due to their complexity leading to the inability to forecast capacity constraints, LMP and FTRs) and therefore continue to limit long-term investment in the new capacity so desperately needed in the NEM.

Yours sincerely,

Brian Restall

Senior Director