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

Lodged online: www.aemc.gov.au

12 November 2019

Re: Submission on Co-ordination of Generation and Transmission Investment Discussion Paper and Renewable Energy Zones discussion paper

Dear Mr Pierce,

Tilt Renewables is a leading Australasian renewables developer engaged across all stages of project development through to operation. Tilt Renewables currently has 636 MW of operational wind farms across the NEM and New Zealand, plus a further 469 MW currently in construction and over 3 GW in its development pipeline.

Tilt Renewables thanks the AEMC for inviting stakeholder input on these important discussion papers. Tilt Renewables is an active member of the Clean Energy Council (CEC) and supports the arguments made in the CEC's submission on these papers, as summarised below. We further ask detailed technical questions around some complex aspects of the proposal.

Tilt Renewables strongly supports these points made in the CEC's submission:

- The proposal presented in this discussion paper is a very complex model that doesn't address the pressing need for transmission development and is likely to increase investment uncertainty. While we acknowledge the benefits in addressing the second-order objectives, these alone do not justify this rushed and complex proposal.
- Without cost-benefit analysis and detailed modelling of how the FTR auction may work it's impossible to evaluate the proposal and its effect on the National Electricity Objective. This is particularly important given that the primary goals of CoGaTi aren't being addressed.
- The timing is extremely rushed, given:
    - The complexity of the FTR auctions proposed, which present difficulties for participants and for AEMO;
    - The handling of existing ASX and OTC contracts sold against the RRP already well into 2022;
    - The long time required to renegotiate existing PPA contracts and adapt new contracts, given the likely large impact of CoGaTi on risk allocation between the

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parties and the meaning of the RRP, which forms the basis of many PPAs. Tilt Renewables will be happy to discuss this further directly with the AEMC.

- The short-timeframe FTRs don't provide investment certainty for generators and provide no protection against new entrants. On the other hand, the REZ paper implies that long-term hedges could be allocated, and potentially to the RRP. It is not clear why a long-term hedge to the RRP should only be available to new generators associated with new transmission development, nor how these would remain feasible in the long-term. Tilt Renewables does see benefit to investment certainty of the ability to obtain firm transmission access but does not see the current proposal delivering this.
- There is great complexity in the detail of the FTRs. As these will be implemented in a time of rapid network and generation development it will be important to resolve the details of how and when commissioning plant can obtain FTRs and how network investment decisions are communicated. The auction itself with simultaneous feasibility analysis of thousands of connection points appears exceedingly complex.
- Appropriate transitional arrangements are key to avoid driving investment away. There is significant risk around how in-progress developments interact with transitional arrangements and complexity around how upcoming transmission developments are factored in.

Tilt Renewables is concerned about the difficulty participants will face in pricing FTRs. In other markets such as NZ the FTRs are used to hedge prices between different nodes between generation and retail. These can be priced from historical trends assuming relatively stable market conditions. Given the rapid change anticipated by (and in fact the original driver for) the CoGaTi process, the task of pricing FTRs requires numerous participants to make a bet based on imperfect and rapidly changing information, particularly on when and where new connections will be made and when and where new transmission will be built. Tilt Renewables cannot see how having numerous participants attempting to convert this imperfect information into prices would provide any useful information to the market about transmission requirements.

Tilt Renewables suggests that the AEMC needs to conduct very specific modelling of how an FTR auction as proposed might work and whether a secondary market could exist. We foresee a situation where multiple generators at geographically distinct connection points (e.g. A, B and C), but limited in access to the RRP by a choke point downstream (e.g. from D to E), would find one generator (e.g. at A) winning a high proportion of the FTRs to get through the choke point, but then leaving other generators at other connection points (e.g. at B and C) without sufficient FTRs. A secondary market would not exist as generators at B and C would not want to buy FTRs from the generator at A, as they want to protect their access from their own connection point, not just from point A through the choke point at D to E.

Finally, Tilt Renewables suggests the AEMC explore further the NZ market experience with the nodal dispatch of losses with negative offers. The NZ market does not allow negative price offers and Tilt Renewables understands this was in part due to dispatch solver issues.

Tilt Renewables will be pleased to meet with you to further discuss this submission and will be happy to participate in further consultation processes. Please contact Marcelle Gannon at marcelle.gannon@tiltrenewables.com or 0409 799 095.

Regards,

Nigel Baker
Executive General Manager, Generation and Trading
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