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Ms Merryn York
Acting Chair
Australian Energy Market Commission

Lodged by the AEMC Website

**Submission to the AEMC #ERC0320/#ERC0322
Participant Derogation – Financeability of ISP Projects**

Who is ACCIONA?

ACCIONA Energy is one of the world's largest renewable energy independent power producers with operations covering the development, construction, ownership and operation of renewable energy assets across 16 countries. ACCIONA has over 10,000 megawatts of renewable energy assets covering a range of technologies including hydroelectricity, wind, solar PV, solar thermal and biomass.

ACCIONA has been operating in Australia since 2002, where it has successfully developed its renewable energy, water and infrastructure businesses.

ACCIONA's Energy unit develops, builds and operates wind farms that produce clean energy for more than 285,000 Australian homes per year. It's installed capacity of 435 MW is distributed between Mt. Gellibrand (132MW Victoria), Waubra (192MW Victoria), Cathedral Rocks (64MW South Australia) and Gunning (46.5MW New South Wales). The company is currently building a wind farm in Mortlake South (158MW Victoria) and in March 2020 announced plans to build the MacIntyre Wind Farm Precinct, (1,026MW Queensland), with construction to commence mid-2021.

ACCIONA also has a strong development pipeline of wind and solar projects to support Australia's transition to a low carbon energy supply over the coming years.

ACCIONA's Infrastructure unit has built major projects such as the Legacy Way tunnel in Brisbane, a 41km bypass for the Toowoomba motorway, a desalination plant in Adelaide, the Mundaring water treatment plant East of Perth, and the Sydney Light Rail. In Western Australia, ACCIONA is currently building the country's first waste to energy (W2E) plant in Kwinana and has been awarded a second W2E project in East Rockingham. The company is developing a number of rail projects in Victoria.



Introduction

ACCIONA welcomes the opportunity to participate in the Australian Energy Market Commission's (AEMC) consultation on the participant derogation requests by TransGrid and ElectraNet.

As a participant in the National Electricity Market (NEM) since 2002, ACCIONA is committed to supporting efficient investment to the benefit of all participants in the NEM.

TransGrid and ElectraNet have requested participant derogations in relation to the financeability of their shares of Integrated System Plan (ISP) projects. This proposes to change how allowed revenue on their share of ISP project capital assets is determined, with the new methodology allowing depreciation on assets that are not yet commissioned, and incorporating inflation into the rate of return.

TransGrid's and ElectraNet propose that without these derogations there would be a serious risk that some ISP projects would not proceed, or at least not proceed in a timely manner.

Issues and Context

ACCIONA understands the proposed change to the allowed revenue calculation will improve the financeability of these projects by changing the revenue profile over time, with greater revenue earlier in the asset life, and less revenue later. However, while the profile of the revenue stream over time will change, the present value of the revenue will remain the same.

This rule change would apply to TransGrid and ElectraNet's shares of ISP projects. Current actionable ISP projects include: Project EnergyConnect, HumeLink, VNI Minor and VNI West, and the Central-West Orana transmission link.

Actionable ISP projects have been identified as projects critical to address cost, security and/or reliability issues. Project EnergyConnect alone has been determined through the regulatory approval process to deliver a substantial net saving to electricity users in South Australia and NSW.

TransGrid and ElectraNet will only be seeking to finance projects that have already passed the regulatory hurdles and been confirmed to deliver a net benefit. However, to deliver these community benefits the projects must be financed and proceed.



Conclusion

ACCIONA supports this derogation request by TransGrid and ElectraNet in the interests of the ISP projects proceeding as proposed. This support is premised on our understanding of the following principles:

- No change to the total present value of costs to consumers or revenue to the TransGrid and Electranet: only the revenue profile over time will change.
- Only projects which already have demonstrated a net benefit and passed regulatory tests will be proceeding to finance.
- This change in methodology is required to enable TransGrid and ElectraNet to maintain their credit rating and sustainably finance these investments.

ACCIONA is of the view that the derogation request outlines a reasonable response to a material risk that major investments to improve the efficiency of the NEM will be unnecessarily delayed or not proceed at all. For such projects not to proceed due to financeability issues, would be an inefficient outcome, resulting in higher costs to consumers than otherwise would be the case.

ACCIONA thanks the AEMC for the opportunity to participate and looks forward to further consultation on these important issues.

If you have any questions in relation to our response, please contact Melanie Sutton (melanie.sutton@acciona.com) to discuss further.

Yours sincerely

A handwritten signature in black ink, appearing to read "Brett Wickham".

BW

Brett Wickham

Managing Director

ACCIONA Energy Australia