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Australian Energy Market Commission  
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Submitted by email to [aemc@aemc.gov.au](mailto:aemc@aemc.gov.au)

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### **Transmission planning and investment - Contestability**

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Options Paper from the Australian Energy Market Commission (the Commission) on Transmission planning and investment - Contestability.

Snowy Hydro welcomes the Commission considering the competitive provision of transmission projects. Any changes proposed should advance the National Electricity Objective (NEO) by facilitating efficient transmission investment so that proponents have the capacity to deliver on the service requirements that are demanded by consumers. While contestability is important, the expectations of the Federal Government, State Government's and AEMO's Integrated System Plan (ISP) should ensure that investment decisions on critical transmission are not delayed by the outcome of the Commission's decision on contestability.

We support in principle considering the competitive provision of transmission projects. In the long term new transmission ought to be procured by open tender. Although this is unlikely to be on current actionable transmission projects given the urgent need to begin construction, it would provide a means to harness competitive forces, protect against overspend and reduce dependence on a single network operator.

A key part the Commission should consider is the ability to include contestability in preparatory works and therefore providing the ability for entities beyond TNSPs to participate in the financing of 'early works'. Contestability could mitigate short-term financeability concerns of TNSPs by allowing the private sector with lower capital costs to submit bids for transmission projects, providing the ability for entities beyond TNSPs to participate in the financing of 'early works'. It could also lower the overall cost of the transition from increased competition.

The Clean Energy Investor Group commissioned a Baringa report on the "*transmission planning and investment for clean electricity*" which highlights that greater contestability would mitigate the financeability concerns of some incumbent TNSPs, by allowing the private sector with lower capital costs to submit bids for transmission projects.

There are many potential benefits to introducing contestability to large, discrete, transmission projects in the NEM, including:

- competition for these projects may result in reduced costs and greater innovation. This includes innovation on the project design, as well as innovation in cost-risk sharing approaches and other elements of operating and financing the project, if included in the contestable scope;
- the cost-savings which could be realised on large projects could exceed, and justify, the administration costs;
- contestability would mitigate the financeability concerns of some incumbent TNSPs, by allowing tenderers to submit bids which they consider financeable; and given the costs of these projects are much harder for the AER to benchmark and assess, a contestable model may be a more appropriate and accurate means to arrive at an efficient project cost.

The Commission should therefore undertake detailed cost-benefit analysis to determine whether the potential benefits would justify the policy reform process required to introduce it.

### **Strawperson model and Jurisdictional schemes**

The Commission's four Strawperson model captures the spectrum of contestability options. To assess the best model the Commission should undertake a cost benefit analysis to understand which proposal is likely to offer the best balance in delivering expanded contestability.

Transmission in Victoria and NSW have their own state-specific contestable processes for network service provision, which sit alongside the Commission consulting on the merits of contestability in the national framework. Should a contestability model be preferred through the review then a national contestable process should seek to align the existing jurisdictional processes in Victoria and NSW where possible, to make future harmonisation more straight-forward.

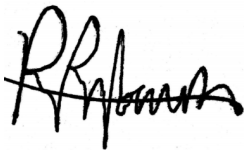
Snowy Hydro is concerned that the Commission's preferred model could differentiate from the other two states, with Victoria currently having a centrally-designed solution with the remaining responsibilities incontestably allocated, while the NSW Roadmap works on its own mode. In another complexity, intra-regional projects could become difficult in the near term with each state having specific deliverables.

### **About the Snowy Hydro Group**

Snowy Hydro Limited is a producer, supplier, trader and retailer of energy in the National Electricity Market (NEM) and a leading provider of risk management financial hedge contracts. We are an integrated energy company with more than 5,500 megawatts (MW) of generating capacity. We are one of Australia's largest renewable generators, the third largest generator by capacity and the fourth largest retailer in the NEM through our award-winning retail energy companies - Red Energy and Lumo Energy.

Snowy Hydro appreciates the opportunity to respond to the Options Paper and any questions about this submission should be addressed to me by email to [panos.priftakis@snowyhydro.com.au](mailto:panos.priftakis@snowyhydro.com.au).

Yours sincerely,



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