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Anna Collyer
Chair
Australian Energy Market Commission (AEMC)

**Submission to the CEC's Enhancing investment certainty in the R1 process
-Proposed Rule Change request**

Who is ACCIONA?

ACCIONA Energía (ACCIONA) is the largest 100% renewable energy company with no fossil legacy in the world. It has 11GW of renewable energy in 16 countries. With 30 years of experience, ACCIONA offers a complete portfolio of tailor-made energy solutions for its corporate and institutional clients to meet their decarbonisation goals. ACCIONA is committed to the highest environmental, social and corporate governance (ESG) standards. ACCIONA S.A., a leading global company in the provision of regenerative solutions for a decarbonized economy, is the reference shareholder of ACCIONA.

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

ACCIONA 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 (132 MW, VIC), Waubra (192 MW, VIC), Cathedral Rocks (64 MW, SA), Gunning (46.5 MW, NSW) and Mortlake South (157.5 MW, VIC). The company is currently constructing the MacIntyre Wind Farm Precinct, (1,026MW, QLD), which is expected to be in operation in 2024.

ACCIONA has a strong development pipeline of over 3,000 MW of wind and solar projects to support Australia's transition to a low carbon energy supply over the coming years.

ACCIONA has also constructed major infrastructure 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. ACCIONA is currently building two waste-to-energy plants in Kwinana and East Rockingham, among many other projects.

Introduction and summary of submission

ACCIONA welcomes the opportunity to participate in the AEMC's ongoing consultation on the Rule change request by the Clean Energy Council (CEC): Investor certainty in the R1 process. ACCIONA understands that the CEC has investigated the R1 procedure within the grid connection process to outline the gaps and discrepancies in current National Electricity Rules (NER).

ACCIONA agrees with CEC's assertion that the uncertainty regarding the R1 process manifests in [1]:

- 1- *Uncertainty regarding how long the R1 stage can take*
- 2- *Lack of clarity on how the R1 package is evaluated*
- 3- *Lack of flexibility on the best way to remediate issues identified at the R1 stage*
- 4- *Lack of certainty on the most effective allocation of costs for remediating issues identified at the R1 stage*

and that these uncertainties result in delays in projects connection and consequently penalties and revenue damages.

ACCIONA has reviewed the proposed rule change [2]. We recognize the overall benefits of such rule change in providing clarity on R1 procedure, adding flexibility to the process and negotiations, and reducing the potential costs of the project. However, we have identified ambiguity in some new definitions – e.g., materiality, and materiality threshold – that if not clarified may potentially result in further uncertainty and risk to the R1 procedure.

ACCIONA's detailed comments and questions are summarized in the following section.

Response to the AEMC's consultation questions

QUESTION 1: DO YOU AGREE THAT THE ABSENCE OF NER OBLIGATIONS ON PARTIES TO THE R1 PROCESS IS CONTRIBUTING TO POOR ENGAGEMENT AND PROCESS DELAYS?

- **Acciona:** Yes. The R1 procedure is not defined as clearly as the Connection Application process.

QUESTION 2: HOW DO CONNECTING PARTIES CURRENTLY MANAGE UNCERTAINTY REGARDING TIMEFRAMES FOR THE R1 MODELLING PACKAGE ASSESSMENT AND TO WHAT EXTENT DOES PUBLIC DATA (E.G. AEMO CONNECTION SCORECARDS) ASSIST?

- **Acciona:** Currently R1 modelling and assessment process is managed among connecting parties through meetings and discussions and its progress to registration approval is subject to agreement between the parties. .

QUESTION 3: DOES THE EXISTING PROCESS FOR RENEGOTIATING TECHNICAL PERFORMANCE STANDARDS CREATE BARRIERS FOR ENABLING CONNECTING PARTIES TO NEGOTIATE EFFICIENT SYSTEM SECURITY AND RELIABILITY OUTCOMES?

- **Acciona:** The current R1 process mandates that the connecting party must meet the performance agreed in the GPS. Any discrepancy in the performance between R1 and GPS must be resolved by the connecting party either through retuning of the models (through extensive studies) or through additional equipment that need to be introduced. This process may become lengthy and requires iterative discussions and negotiations among parties. It may also trigger 5.3.9 process that further lengthens the R1 approval process. Not to mention it will have significant impacts on the project timelines and cost.

QUESTION 4: DO YOU AGREE THAT THERE ARE PROBLEMS WITH THE WAY THE R1 PROCESS SEEKS TO RESOLVE EXTERNAL SYSTEM SECURITY ISSUES?

- **Acciona:** Yes. Due to lack of clear procedures, R1 process relies on successful negotiations among the parties which may become lengthy and unclear. Moreover, it is generally expected that the Connecting party must resolve the external issues. This impacts the project timeline and costs.

QUESTION 5: HOW MATERIAL IS THE ABSENCE OF AN INDEPENDENT, EXTERNAL DISPUTE RESOLUTION PROCESS FOR THE EFFICIENT NEGOTIATION OF TECHNICAL PERFORMANCE PARAMETERS BEFORE REGISTRATION APPROVAL?

- **Acciona:** The current R1 process does not explicitly define engagement of independent dispute resolution. While independent 3rd party engagement can assist with progress of R1 assessment, however, it may become a lengthy and costly process that would impact the project timeline.

QUESTION 6: WOULD THE PROPOSED TIMELINES PROVIDE SUFFICIENT CERTAINTY ABOUT THE DURATION OF THE R1 MODEL ASSESSMENT PHASE?

- **Acciona:** The proposed timeline can potentially improve programming of R1 and registration works in the project scale (subject to transparent and detailed clarification of the new steps and processes proposed in the rule change)

QUESTION 7: DO YOU AGREE WITH THE CEC'S PROPOSAL FOR MATERIALITY GUIDELINES, INCLUDING WHETHER THEY COULD APPROPRIATELY DEFINE MATERIALITY THRESHOLDS FOR THE CATEGORISATION OF CONNECTION TYPES?

- **Acciona:** According to CEC's recommendation, AEMO will release guidelines for materiality assessments and the project-specific materiality thresholds will be defined based on AEMO's guidelines. While this can help with R1 process, however, the Materiality guidelines (to be issued by AEMO) are not yet accessible. Details of such guideline will have significant impact on the negotiations between connecting party and AEMO/NSP. These negotiations may become lengthy and further disputes may rise from

these discussions. There are no clear processes on management of these discussions. This creates additional uncertainties to the project timeline. Acciona propounds further clarifications on preparation of Materiality Guidelines.

QUESTION 8: WHAT ARE YOUR VIEWS ABOUT THE PROPOSED PATHWAY FOR EACH CONNECTION TYPE, INCLUDING THE ASSIGNMENT OF OBLIGATIONS AND THE ALLOCATION OF COSTS AND RISKS?

- **Acciona** holds the viewpoint that the proposed pathway can potentially improve the progress of R1 works. However, we recognize that the negotiations and discussions among connecting parties to reach agreement on the R1 package Type classification and the way forward will become hectic and lengthy. It will also require extensive studies and model assessments that will impact the project timeline and costs.

QUESTION 9: WHAT ARE YOUR VIEWS ABOUT THE CEC'S PROPOSAL FOR DISPUTE RESOLUTION?

- **Acciona** holds the viewpoint that the proposed resolution shall be helpful in resolving the issues. However, we recognize that the process of bring all parties to together in facilitated discussions or engaging independent engineer process shall result in yet another layer of extensive negotiations (and most probably studies and assessments) which will lengthen R1 approval and consequently the project timeline and costs.

QUESTION 10: DO YOU SUPPORT THE CEC'S PROPOSED MODEL OR DO YOU PREFER AN ALTERNATIVE APPROACH? ARE THERE ANY MODIFICATIONS TO THE CEC PROPOSALS THAT YOU BELIEVE MAY IMPROVE IT?

- **Acciona** supports the CEC's proposed rule change however the changes need to consider the details that Acciona has identified in the below section "Proposed R1 rule change review summary"

QUESTION 11: DO YOU AGREE WITH THE PROPOSED ASSESSMENT CRITERIA? ARE THERE ADDITIONAL CRITERIA THAT THE COMMISSION SHOULD CONSIDER OR CRITERIA INCLUDED HERE THAT ARE NOT RELEVANT?

- **Acciona:** ACCIONA agrees with CEC's assessment criteria.

We would also like draw the industry attention to “end-user/consumer benefits” where the price of electricity is significantly and directly influenced by the cost of building, commissioning, and generating power in the power plants. Streamlined connection process (including R1), will improve the projects planning, costs, and efficiency which will in return support more stable electricity prices that will positively impact the other four criteria mentioned by CEC.

Proposed R1 rule change review summary

ACCIONA recognizes that the proposed rule change will contribute to:

- Long term cost reduction for consumers
- Supporting the energy market transition to decarbonisation
- Removing uncertainty and reducing investor risk
- Better allocation of risk
- Improved reliability for consumers
- Improved management of system security issues
- Proportionate administrative costs for the sector

However, it appears that some details around the additional steps to R1 process (for example, definition of the category types, materiality threshold, and network issues, and alignment of applicant and AEMO/NSP on new changes, etc.) are not clearly elucidated and may further complicate the R1 procedure and even Connection Approval procedures.

ACCIONA asserts that further clarification and/or revisions may need to be implemented on some of the provisions to clarify uncertainties and eliminate potential risks in the proposed Rule.

These items are summarized in Table-1.

Table-1

proposed rule change wording	Risks/uncertainties
Applicants will initiate the R1 process by providing an initial self-assessment (the R1 assessment report).	- What does the R1 self-assessment report include? Does it summarize all the studies? - Would studies from GPS connection study report be sufficient, or should the DMAT/Benchmarking studies be repeated too?

This R1 assessment report is provided to the NSP as part of the package of R1 materials	- This implies that the complete R1 package should be submitted. In that case, self-assessment report is one extra document that needs to be prepared. - This will require extra time/effort.
The key outcome of the R1 assessment report would be a self-determination by the connection applicant as to how the generating system falls into several predetermined category Types	- As the applicant does not have access to wide-area network, there is a possibility that AEMO/NSP's assessments would lead to different results and "category type". - Applicant will need to spend additional time/effort to explain its category type determination to AEMO/NSP - The rule change proposal does not outline how AEMO/NSP will examine Applicant's category type determination and if they do so, how long would this take? What studies would AEMO/NSP undertake?
To support these Type 1 projects, we therefore propose the development of clear materiality thresholds... ... These materiality thresholds would be determined in accordance with a materiality guideline, to be developed in cooperation between industry (i.e. connection applicants and NSPs) and AEMO, who would be the primary author.	- As the "Materiality guideline" is not available at the time of this rule change proposal, it is not clear how it will impact time/cost of R1 self-assessment process. - This can add further complexities and uncertainties to R1 process
the rule change should be able to be applied in the interim before the finalisation of any guidelines.	- This can impose additional risks/uncertainties to the affected generators - adding extra time/cost to R1 process.

We consider that the application of these materiality thresholds and assessments will be a learning experience across the industry. Therefore, at least initially, AEMO could consider how to report on the application of materiality decisions in new connection agreements and how these have been evaluated as part of the R1 modelling through the Connections Scorecard.	- This will result in inconsistency in treatment of different projects. - This will impose additional time/cost in some projects.
Option of including materiality thresholds in the Negotiated Connection Agreement or at the R1 stage	- This will require additional negotiations/efforts between parties to define and agree on - This can impact the 5.3.4 letter issue
Alternatively, the NSPs, AEMO and generators may undertake work to identify and agree the materiality thresholds for their performance at the commencement of the R1 assessment.	- The "works" are not defined clearly. - This can result in risks/uncertainties and additional time/cost for applicant
As part of its self-assessment applicants can also define the range of non-material issues in its R1 application.	- What does "non-materiality" mean and how is it defined and proved that it is non-material? - What does "range" mean in "define the range of non-material issues"?
An applicant will be able to identify deviations in its ability to comply with its performance standards, which it considers to be non-material. The NSP in consultation with AEMO can then decide to agree or disagree with the applicant's request.	- How NSP/AEMO will determine validity of applicant's claim? (what are the criteria to agree/reject?)

suspect that applicants will rely more on the R1 process to consider and propose the definition of materiality as informed by their own modelling. However, it will be their choice and there may be certain parameters in the performance standards which are more suited to setting a materiality threshold in advance during the 5.3.4 process.	- AEMO/NSP may consider other criteria than what applicant has considered. - This introduces additional point of conflict
This negotiation will consider the specific needs of the network at the location of the connection, as well as the technical specifications of the proposed plant. Assessment of the impact of the materiality thresholds will form part of the provision of S and D data.	- What are the specific parameters that will be considered to define the "needs of the network at the location of the connection"?
We consider that delaying as long into the process as possible – ie, defining the materiality thresholds at commencement of R1 - could result in more informed decisions from all parties and potentially a wider permitted range, than if the thresholds are set at the 5.3.4A stage. However, whether to request these thresholds be developed earlier or later in the process would be at the discretion of the connecting applicant.	- "delaying as long into the process as possible" implies an unclear and uncertain timeline.
would be required to use reasonable endeavours to meet a request for inclusion of materiality thresholds, if the proponent requests them	- AEMO/NSP may have a different preference.
A guideline would be developed providing details on the nature of external network changes and subsequent issues identified in the R1 stage	- This statement does not clearly define NSP/AEMO's role and timeframe
	- Additional studies will extend R1 study process - Additional time/cost risks

... ... - A methodology for making the assessment of whether the R1 model has identified an external power system issue, compared to an internal issue of the generator - A process for TNSPs to determine the optimal solution including requesting design changes from the applicant - How to calculate a fair payment of the procurement of services from applicants. This payment amount should cover costs including impact of delays.	
In some cases, it may be difficult to determine where changes are because of external situations, or through changes in generator conditions. The intent of the rule change is not to require parties to undertake detailed or time-consuming analysis to ensure this is determined all the time. Such a course of action is unlikely to be in any parties' interest, as the applicant is likely to face lengthy delays. Rather, the purpose of this is to develop a course of action for circumstances where identification is relatively simple. We reiterate that the purpose of this framework is to encourage cooperative actions in response to issues with the R1, to facilitate more efficient risk allocation.	- This statement introduces ambiguity to the process - Additional time/cost risks
We suggest that the rule change includes a 6-month period for implementation from the making of the final rule, including a rule consultation process for the new guidelines, before coming into	- Without the guidelines, new uncertainties and risks will be introduced in R1 procedure that can impact affected generators.

force. *If the guidelines are delayed, then the rule changes should still take effect.*
In making the rule change request, the AEMC will need to account for all the ongoing processes of the CRI in deciding how best to integrate this rule change request alongside other reforms of the connection process.

Conclusion

ACCIONA thanks the CEC for the initiative to propose the rule change for R1 process improvement. ACCIONA also thanks the AEMC the opportunity to participate in the consultation on "Rule change request: Investor certainty in the R1 process". ACCIONA welcomes further discussions around the listed queries and raised concerns. We look forward to further details about progress in draft of R1 rule change proposal.

If you have any questions in relation to our submission or areas you would like to discuss further, please contact Ella Tofighi at ella.tofighi@acciona.com

Yours sincerely

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ACCIONA Energía

Reference

- [1] Enhancing investment certainty in the R1 process - Information paper - rule change - 17 Aug 2023
- [2] CRI Investment certainty in R1 - Final rule change request