27 September 2023

Ms Anna Collyer Ms Clare Savage Mr Daniel Westerman

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Dear Board Members

Investment Certainty in the R1 Process - Consultation Paper

EnergyAustralia (EA) is one of Australia's largest energy companies with around 2.4million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We own, contract, and operate a diversified energy generation portfolio spanning coal, gas, battery storage, demand response, solar, and wind assets. Combined, these assets comprise over 5GW of generation capacity.

EA welcomes the opportunity to comment on the AEMC's consultation paper which seeks to improve the current R1 process by clarifying the requirements, process steps and broad responsibilities assigned to actors under the NER when connecting new generation or storage. We acknowledge that this rule change request forms the first formal output from the Connection Reform Initiative in the NER, which is a collaborative exchange between the Clean Energy Council and the AEMO. EA is very supportive of the CRI and its important purpose.

EA agrees with the claims and limitations set out by the CEC in its rule change request. While it has been difficult to navigate a new connection application through the AEMO process for some time for a range of reasons, it is becoming increasingly difficult to reach registration approval due to the lack of clear accountability, direction, defined definitions on modelled 'windows' and adherence to timeframe obligations (where they exist) on AEMO and NSPs in the current R1 process. We also note that under the current framework and taking into account the increasing volumes of generation and storage seeking connection in the NEM, the obligation of applicants to holistically model and account for every external impact, known and/or unknown is unworkable.

As such, EA in-principally supports the efforts of the CEC (through the CRI) to introduce a new framework approach for navigating the R1 process and improve the collaborative process on modelling and modelled scenarios prior to entering the formalised R1 assessment. We agree that addressing the modelling requirements, identifying the technical performance bounds and discussing potential external impacts captured by a materiality threshold will all result in significant benefits to the overall process. In particularly, seeking agreement with AEMO/NSP on an agreed self-assess type category (i.e a pathway forward) in advance of entering the formalised NER assessment process, should provide applicants greater confidence that their R1 process through to registration approval will move as smoothly as possible. This should also help to alleviate



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some of the timing delays, modelling requests, and the current risk of unbounded direct and indirect costs associated with these concerns.

However, EA encourages the AEMC to further consider and/or clarify some elements to ensure that the rule change achieves its objective and delivers real beneficial changes:

• Increased detail on the self-assessment type categories

- As the backbone of this proposed reform, the self-assessment framework needs to be clearly articulated to remove ambiguity, and supported by a range of working examples to demonstrate how and why a particular pathway may be selected. A number of the proposed categories appear similar based on the short explanation. For example, Type 1 and Type 3 both refer to the identification of minor technical issues arising, with the need for some further action (i.e. either replacement of the GPS or the insertion of pre-conditions etc.). We believe it is possible for the applicant to consider that either of these Type categories applicable to a project self-assessment – however AEMO or the NSP may disagree. How are differences of opinion addressed at this early stage and what degree of materially sets these categories apart?
- While we understand the intention is to front-end some of the discussion/negotiation with AEMO/NSP and minimise the degree to which remodelling is required, it would be helpful to understand how AEMO and the NSP are required to approach these initial discussions and to what extent they are required to meaningfully engage in good-faith.
- EA encourages the AEMC to consider if additional prescription above the requirement of AEMO procedural documentation (to set out the broad parameters of the self-assessment process) is also needed to put in place guardrails in the NER to protect the interests of all parties.

• Increased access to and publication of network snapshots

- EA considers the lack of access to current network configurations, external connections and broader network impacts is hindering the efficacy of existing processes and is resulting is significant time delays, and costs associated with uncertainty of upfront modelling requirements. We also note the NER and AEMO's connections process doesn't specify when an applicant should be conducting its R1 process (i.e. immediate after the 5.3.4 letter is received, at Financial Investment Decision or when compiling its application for market registration etc.).
- To better assist applicants to produce the best possible modelling results, we recommend greater NER prescription to require AEMO to provide better access to ongoing network snapshots and regular updates to 'live' applicants seeking connection to known external impacts within a particular region. EA is supportive of AEMO offering this information for a fee that is reflective of their effort and the quality of information shared.
- Access to updated network models will also support more productive, and shorter negotiations (during collaboration on the proposed self-assessment pathway and the formal R1 application).

• Improved clarity on Type 2 external impacts and remediation efforts

 EA agrees that the risk associated with external impact rectification should sit with the party that can best manage it – in this case the NSP should seek solutions to manage, minimise or remove the impact on its network. However, Where the NSP identifies network augmentation or investment is required, should be required to complete a RIT-T assessment to ensure that consumers do not pay more than necessary. However, noting that NSP remediation works have long lead times, we are unclear on the impact to an individual applicant, where type category 2 is selected (i.e. what are the time impacts on this project? Is registration delayed until the issue is resolved, or does the framework allow the applicant to progress to registration under a similar scenario offered by type 3 (i.e. conditional registration offered or hold points applied). EA seeks the AEMC's view on this issue.

 Arguably, this type category will be utilised quite frequently and is therefore critical to the successful development of the self-assessment framework. To ensure that the category can suitably cater to the range of 'unknown unknowns' faced by connecting applicants today, further guidance on its application, for example the types of external impacts covered, and AEMO/NSP guided responses would be beneficial. In addition, a range of examples setting out issue identification, materiality of impact and remediation is necessary.

• Consideration to expand the scope to cover Transmission and Distribution

 EA notes that large-scale generation and storage connecting to the distribution network is increasing, largely due to the significant volumes of new investments and the lack of quality available transmission capacity. We believe it is therefore important to consider expanding the scope of this rule change to futureproof the R1 process of all grid connections.

• Addressing modelling and technical mistakes

- Given the challenging task of compiling and reviewing detailed technical models on complex performance parameters and scenarios, its likely that mistakes will be made by the applicant, AEMO or the NSP during the selfassessment or via the formal R1 application process. EA is keen to understand how the framework can accommodate these issues, without penalising the applicant.
- We suggest the AEMC give consideration to the provision of very clear guidance (without room for interpretation) on remedies for manifest errors by any party, and how developers should be protected where the error falls on AEMO or the TNSP.

If you would like to discuss this submission, please contact me on 0422 399 181 or Dan.Mascarenhas@energyaustralia.com.au.

Regards

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