21 April 2024

Anna Collyer

Chair

Australian Energy Market Commission

Lodged by email: www.aemc.gov.au

Dear Ms Collyer,

Re: ERC0363 Enhancing Investment Certainty in the R1 Process

ACEN Australia is pleased to provide a response to the Australian Energy Market (AEMC) Draft determination National Electricity Amendment (Enhancing Investment Certainty in the R1 Process) Rules 2024.

ACEN Australia is a fully owned subsidiary of the AC Energy Corporation (ACEN). ACEN, headquartered in Manila, is one of the largest renewable energy companies in South-East Asia. The company has 2,600 MW of attributable capacity in the Philippines, Vietnam, Indonesia, India, and Australia. It currently has several GW of projects at various stages of development across the National Electricity Market (NEM), including in New South Wales, Victoria, South Australia, and Tasmania. For more on ACEN, visit www.acenergy.com.ph[1]

Compared to the very detailed package of changes in the Clean Energy Council (CEC)'s Rule change proposal, the draft determination has taken a different path to enhancing certainty in the R1 process. The AEMC has made fewer relatively minor amendments to Chapter 2 and Chapter 5 of the National Electricity Rules (NER), including:

- providing some clarity to connection applicants on when a R1 process begins and when it ends;
- enabling connection applicants to request additional justification from AEMO and Transmission Network Service Providers (TNSPs) if the latter request additional information, modelling, inverter tuning etc, during the R1 process; and
- amendments to 5.34A to increase the scope of making changes to the Generator Performance Standard (GPS) during the R1 stage, provided any such revisions to the GPS do not adversely impact overall system security or power quality.

[1] In 2017 ACEN acquired an 50% equity stake in UPC Renewables Australia Pty Ltd, headquartered in Tasmania and part of the global UPC Renewables Group that was established in the early 1990s. The UPC Renewables Group has developed, owned, and operated over 10,000 MW of large-scale wind and solar farms in 10 countries across Europe, North America, North Africa, China, Southeast Asia, and Australia, with an investment value of over $5 billion USD. In 2021 ACEN started the process to fully acquired UPC Renewables Australia Pty Ltd to form ACEN Australia, which was completed in 2023.

ACEN Australia
Suite 2, Level 2, 15 Castray Esplanade, Battery Point, Hobart Tasmania, Australia 7004

While these changes are welcome, ACEN does not consider they go far enough. In particular, the determination does not deal adequately with one of the core concerns that underpinned the CEC's rule proposal – the lack of certainty and transparency in the R1 process.

Clauses 2.1.1(e)(3) of the NER still makes registration conditional on AEMO's satisfaction that a can meet or exceed its GPS. AEMO's unfettered ability during the R1 process to reopen agreed GPS, request additional iterations of modelling and inverter tuning or impose additional technical requirements, remains.

An important consideration in this respect that plant design changes commonly occur at the R1stage of a connection, as final plant design details are typically confirmed just prior to construction. Changes in external power system conditions that have to be factored into R1 assessments are also becoming commonplace, due to the increasing volume of new solar, wind and storage projects entering the NEM as a result of climate change targets. By implication more projects are becoming committed at the same time as R1 assessments are taking place of nearby generators that connected earlier.

Some level of remodelling and renegotiation of GPS during the R1 is therefore inevitable. At bottom, the R1 may be considered as simply an extension of the 5.3.4A process with more up to date information, but without the structured time limited exchange of information and reciprocal obligations that characterises the 5.3.4A process. There is no designated timeframe for how long AEMO may take to complete the R1 process, the duration remains entirely based on AEMO's judgement. This issue has not been addressed in the draft determination. It is therefore not clear how the AEMC's proposals do much to enhance the level of investment certainty in the R1 process.

This problematic in a context of an energy transition where TNSPs and AEMO are facing ever increasing requests for connection. This inevitably means that it takes longer for projects to connect to the network. This prospect of delay can only be reinforced by an unbounded R1 decision making process, which risks a slower and less certain path to market and revenue generation for projects seeking to connect to the NEM.

While we accept the majority of the CEC's proposals are unlikely to be re-prosecuted by the AEMC in its final determination, the proposal for a time limited R1 process is worth reconsidering.

In ACEN's view, a time bound R1 process would have the following benefits:

- Implementing a deadline for the R1 process would encourage more efficient behaviour, as AEMO and the TNSPs would have some accountability and incentives to address and resolve issues expeditiously. This behaviour could include AEMO implementing the right policies, measures, and human resources (perhaps most important) to improve connection timeliness without compromising on accuracy. A R1 designated timeframe could encourage innovative approaches to GPS issues. For example, where it is feasible and efficient for AEMO to defer resolution of a GPS issue or impose a technical requirement to resolve it until post operations, then the incentive is for AEMO to do so, rather than hold up registration and risk breach of the R1 timeframe. This incentive is much weaker if there is no time constraint on AEMO to help resolve a GPS issue during registration.
- Ideally, a time limit on R1 would be complemented by financial penalties for not meeting the deadline, but we understand it may be complex to implement such a framework, given AEMO is a non-profit entity. Other types of performance incentives could be implemented to provide some discipline for achieving deadlines, remuneration incentives for example, or

ACEN Australia
Suite 2, Level 2, 15 Castray Esplanade, Battery Point, Hobart Tasmania, Australia 7004

a requirement for AEMO to publish on its performance and set out reasons if deadlines are missed.

- We consider a R1 time limit would not replace but build on the AEMC's proposed level of codification of R1. It is expected, for example, that an R1 process would only formally begin if a connection applicant has met 5.3.7A (d) - ie AEMO must consider the connection applicant's submission is of sufficient quality before starting the clock on the R1 process.
- A designated timeframe for R1 process would reduce the need to be prescriptive about assessment pathways (based on materiality) for different categories of GPS changes or changes to system conditions. Such definitions would not really be needed, as a time limit would create a natural incentive for TNSPs and AEMO to focus modelling rework and tuning requests etc, only on those GPS or system changes that matter (ie. likely to have a material adverse impact on power quality or system security). This focus from AEMO is necessary to ensure the overall R1 assessment stays within the designated timeframe.
- If sufficient time is allocated to the R1 process (say 40 or 50 business days) then there should be no need for a 'stop the clock mechanism, as there should be sufficient flexibility within the timeframe for collaborative approaches to resolve issues and allow exchanges of information. The process is better without such a mechanism, as it would be difficult to define the precise set of circumstances warranting the clock be stopped, with the risk of causing excessive delay to the R1 process. That said, there could be some circumstances where a genuine stop the clock may be warranted (ie further time necessary to deal with a particularly complex GPS or power system issue). However, rather than defining the circumstances where this would occur, a simpler approach could be for a stop the clock to be triggered only on agreement by AEMO and the connection applicant.

In summary, we consider the addition of a time limit would materially enhance the predictability and timeliness of the overall connection process. On their own, the proposals in the draft determination would not be sufficient for holding TNSPs and AEMO accountable for ensuring new projects are able to connect in an efficient and timely manner with proper alignment of incentives. In an environment of increasing connection volumes this could lead to larger transmission queues and unpredictable delays to connection causing financial harm to renewable energy projects.

As well as improvements in certainty and timeliness, a designated time frame for R1 will create a more balanced allocation of risk and costs between the connection applicant and AEMO, ultimately supporting a more efficient energy transition.

If you would like to discuss any of the comments in this submission further, then please contact Con Van Kemenade at con.vankemenade@acenrenewables.com.au or 0439399943.

Sincerely,

Dr Michael Connarty
Head of Operations and Trading
ACEN Australia