cefc

7 April 2020

Mr John Pierce
Chair – Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Consultation Paper – Connection to Dedicated Connection Assets

Dear Mr Pierce

The Clean Energy Finance Corporation (**CEFC**) welcomes the opportunity to make a submission on the Australian Energy Market Commission's (**AEMC**) Connection to Dedicated Connection Assets Consultation Paper.

The CEFC is responsible for investing $10 billion in clean energy projects on behalf of the Australian Government and was established to facilitate increased flows of finance into the clean energy sector. The CEFC supports the development of a resilient, balanced and secure electricity system through its investment activities, including large-scale renewable energy, energy storage and other initiatives in accordance with the 'grid firming' focus of its investment Mandate. The CEFC considers the potential effects on reliability and security of supply when evaluating potential renewable generation investments and prioritises investments, including network solutions that will support reliability and security of electricity supply.

CEFC supports the introduction of individual connection points to encourage multiple facilities connecting to a shared dedicated connection asset (**DCA**). CEFC concurs with the Australian Energy Market Operator (**AEMO**) in that the Dedication Connection Asset (**DCA**) framework under the existing National Electricity Rules (**NER**) *is unintentionally unworkable in cases where multiple generators or market customers seek to connect to the same DCA, as the NER does not identify how key requirements would apply to more than one proponent in an identified user group connected through the same DCA*.

The investment signal for an individual generating facility to connect to a shared DCA is hindered by the shared performance standard, metering installation (and thus market settlements) and transmission losses. The ability for an individual generating facility to adversely impact another through any one of these factors can create a credit exposure and/ or adversely impact cash flows which creates bankability issues by raising risk and hence pushing up funding costs. These issues appear to have constrained investment by private investors in DCAs on a shared basis and have reduced the utilisation of such assets.

CEFC considers that the amendments proposed by AEMO, particularly those that deal with allocation of each of these items back to the individual facility, allow for a co-ordinated DCA to occur in a transparent manner which should:

- reduce the impacts of individual generating facility issues unnecessarily affecting the operational performance and financial/ risk exposure of other facilities, and

- assist in the connection process from a generator performance standard perspective.

The CEFC does not consider that averaging loss factors and operational performance across the DCA would provide sufficient transparency and appropriate risk allocation for individual facilities to overcome the bankability issues of being impacted by the operational performance of neighbouring facilities.

Renewable energy zones (**REZ**) are a key feature of AEMO's Integrated System Plan, whereby a significant amount of new generation capacity will be delivered in REZs. Unlocking REZs is expected to require network upgrades at scale to meet the combined capacity of multiple generators in a region. Co-ordination amongst generators is expected to increase to capture the scale efficiencies of connecting into REZs. This scale is expected to result in a higher dependency on shared DCAs to optimise the technical solution and deliver at lower cost.

The CEFC is involved in the development of commercial frameworks to support the investment in REZs and considers that the proposed shared DCA framework is vital for expanding the flexibility in commercial frameworks to deliver REZs. This flexibility in approach should not only deliver a lower cost solution for facilities through scale efficiencies but also improve the utilisation of dedicated connection assets. Investor certainty is expected to increase where the connection process into a shared DCA is transparent and leads to a faster connection process. This increased certainty reduces unnecessary funding costs.

The CEFC considers that the change is aligned with the National Energy Objectives (**NEO**) in that scale efficiencies and increased utilisation of assets will encourage additional investment in DCAs and facilities connecting to such assets, and therefore supports *the efficient investment in, and operation of, electricity services with respect to the price, quality and security of supply of electricity*.

In respect of access policy, the CEFC considers that firstly, it recognises the anticipated increase in the scale of DCAs and secondly, encourages first movers into a DCA by providing the flexibility for the access policy to preserve the economic position for first movers when subsequent facilities connect.

We look forward to the opportunity to engage further with the AEMC. Should you wish to discuss this submission further, please contact Bobby Vidakovic (Director – Clean Futures Team) on bobby.vidakovic@cefc.com.au or (07) 3188 1628.

Yours sincerely

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