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30 September 2021

Ms Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
SYDNEY 2001
Lodged via submission page

Dear Ms Collyer

Re: Transmission Planning and Investment Review (EPR0087)

Thank you for the opportunity to respond to the consultation paper on Transmission Planning and Investment Review published on 19 August 2021.

The need for new transmission infrastructure has been clearly highlighted in the Australian Energy Market Operator's Integrated System Plan. ATCO commends the AEMC on undertaking this review and believes the timely consideration of this matter is critical to the future development of transmission within the National Electricity Market (NEM).

ATCO considers that the current approach to transmission infrastructure delivery fails to offer an opportunity for innovation and competition in the market. Reform of the regulatory framework is needed to facilitate fresh design and encourage new entrants to bring capital and entrepreneurship to the market. This will result in a better outcome in the long-term interests of consumers.

ATCO's position is that change is needed to the delivery of large-scale transmission infrastructure:

- The current regulatory framework is not suited to the delivery of large-scale transmission project, it creates uncertainty in the timing of delivery and lacks incentives for innovation
- Opportunities for new entrants to enter the market are needed and could be best achieved by development of a new competitive process to deliver major transmission projects identified in the Integrated System Plan
- Competition in the delivery of major transmission projects must be on a level playing field for all potential proponents and ensure that the incumbent network provider or their affiliates do not have an advantage. At a minimum this needs to include the following measures:
    - stronger information disclosure provisions by jurisdictional planning bodies
    - greater timeframes to determine and assess construction requirements
    - tendering requirements to restrict exclusivity provisions with available EPC contractor pool
    - eliminate the potential for advantage between the incumbent network provider and associated businesses
    - funding support to partially offset bid response costs.

These measures assist in balancing the competitive advantages that the incumbent transmission network service provider hold, while ensuring that competitive pressures between proponents deliver the best outcome for consumers.

ATCO has provided responses to select questions from the consultation paper in the attached.

About ATCO

Established in Canada in 1947 and now a $22 billion global company, ATCO has a long history of partnering with communities and indigenous groups, energising industries, and delivering customer focussed infrastructure solutions.

With 60 years' experience in Australia - having entered the market in 1961 - ATCO understands the Australian environment and is a trusted, long-term partner of many large and respected Australian companies.

Leveraging a 70+ year legacy of power generation, transmission and distribution networks operation and maintenance in Canada, ATCO has been providing gas-fired power generation in Australia for more than 20 years and is actively investigating investments across the entire energy value chain, including renewable generation, transmission, distribution and storage infrastructure for the national electricity market. ATCO is eager to apply its international expertise and experience in electricity, natural gas, water, storage and structures to its continued operations across Australia.

Experienced in building, owning and operating pipeline infrastructure globally, ATCO has successfully managed the Western Australian natural gas distribution network since 2011, and will apply its global capability and know-how to expand into solutions across transmission, storage and processing. In mid-2020, ATCO was selected, as a partner to rebuild Puerto Rico's electricity system; with a plan to modernise and operate the system for the next 15 years.

ATCO has invested in alternative and renewable energy solutions for 30 years. ATCO will continue to respond to disruption in the energy sector through investing in a range of projects that utilise new technologies and business models to provide energy solutions for a low carbon future. Activities in this area include renewable generation, microgrids, storage and hydrogen.

ATCO is a global leader in providing modular solutions to the community; from regional mining developments through to urban infrastructure development and provides a diverse range of services and products throughout various markets in Australia.

Should you have any questions or would like to discuss our submission, please contact Ben Bolot, Executive General Manager Business Development on 0400 995 022.

Yours sincerely

J.D. Patrick Creaghan
Managing Director & Chief Operating Officer

Att. ATCO response to AMEC Transmission Planning and Investment Review Submission Template

SUBMISSION TO THE CONSULTATION PAPER-TRANSMISSION PLANNING AND INVESTMENT REVIEW

STAKEHOLDER FEEDBACK TEMPLATE

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in the consultation paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to provide feedback on issues raised. This template is not exhaustive and therefore stakeholders are encouraged to comment on any additional issues or suggest additional solutions. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper.

SUBMITTER DETAILS

ORGANISATION:	ATCO Australia
CONTACT NAME:	Ben Bolot
EMAIL:	ben.bolot@atco.com
PHONE:	0400 995 022
DATE	30 September 2021

PROJECT DETAILS

NAME OF RULE CHANGE:	Transmission Planning and Investment Review
PROJECT CODE:	EPR0087
PROPONENT:	AEMC
SUBMISSION DUE DATE:	30 September 2021

INTRODUCTION- ASSESSMENT CRITERIA

1. Do you agree with the Commission's proposed assessment framework for this Review?	
2. Are there any additional criteria the Commission should consider as a part of its assessment framework?	Click or tap here to enter text.

CHAPTER 3 – ISSUES IN THE REGULATORY FRAMEWORK AND PROCESSES FOR PLANNING OF MAJOR TRANSMISSION PROJECTS

Implications of increased uncertainty for the ex-ante incentive-based regulatory framework	
3. Do you agree with that the identified factors contribute to an increase to the uncertainty surrounding major transmission projects, relative to BAU projects? Are there other factors that should be taken into account?	The factors contributing to uncertainity for transmission project have been well identified in the consultation paper. ATCO agree's with the Commission's assessment that the level of uncertainity in the current environment is unprecedented and scale of potential projects has not been delivered in recent times. In addition to these uncertainities, ATCO also considers that the creation of new markets in response to the changing energy landscape creates additional potential benefits that have not been previously comtemplated in the regulatory framework.
4. Do you consider that the current ex-ante incentive-based approach to regulation is appropriate for major transmission projects? Why? Are there opportunities to drive more efficient expenditure and operational outcomes?	ATCO considers that the current ex-ante incentive-based approach is best suited to business as usual transmission projects, rather than the major transmission projects currently needed and identified in the Integrated System Plan. The delivery of these major transmission projects is dependent on the incumbent Transmission Network Service Provider (TNSP) and there is no requirement to ensure the project is delivered. Ambiguity in timing has a flow on effect to other market participants and creates uncertainity for new investment decisions in a range of areas, particularly renewable energy generation and energy storage. ATCO considers that ex-ante incentive-based approach to regulation of major transmission projects needs reform to balance the risks, costs and benefits for major transmission projects. Reform to this process will help to ensure the timely delivery of these projects to the market and remove uncertainity on when the project is actually delivered. Any upfront costs in establishing the new process, will be offset by savings achieved through the competitive process. The current approach fails to encourage or incentivise innovation and competition within the market to deliver solutions that are in the best long term interests of consumers. Going to market for the delivery of

	major transmission projects through a competitive process will attract investment into major projects and ensure consumers have access to renewable energy.
5. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	Yes, ATCO agrees this should be a priority issue
Economic assessment of major transmission projects	
6. Are there opportunities to streamline the economic assessments of ISP and non-ISP projects without compromising their rigour? If so, how could the framework be streamlined?	Click or tap here to enter text.
7. Do you agree that the RIT-T has a clearer value-add in relation to non-ISP projects? If not, why?	Click or tap here to enter text.
8. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	Click or tap here to enter text.
Benefits included in planning processes	
9. Are the benefits included in current planning processes sufficiently broad to capture the drivers of major transmission investment? Does the scale and pace of the NEM's energy transition necessitate inclusion of other classes of market benefits or wider economic benefits? If so, what kind of other classes of market benefits or wider economic benefits should be included?	Click or tap here to enter text.
10. Are major transmission projects failing to satisfy economic assessments because certain benefits (market or non-market) are not permitted to be quantified?	Click or tap here to enter text.
11. Are changes warranted to the manner in which carbon emissions inform transmission planning and regulatory processes?	Click or tap here to enter text.
12. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	Click or tap here to enter text.
Guidance on hard to monetise benefits	
13. What classes of market benefits are hard to monetise? Is there a way that these benefits could be made easier to quantify?	Click or tap here to enter text.

14. Would guidance on hard to monetise benefits improve the timeliness at which projects proceed through the regulatory process?	Click or tap here to enter text.
15. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	Click or tap here to enter text.
Market versus consumer benefits test	
16. Do you consider that there are certain changes that have occurred in the energy sector that warrant reconsidering the merits of a market versus consumer benefits test? If yes, what are these changes and why do they require revisiting this issue?	Click or tap here to enter text.
17. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	Click or tap here to enter text.
Treatment of non-network options	
18. Do you agree that there are barriers for non-network options in economic assessments? If so, do you agree with the barriers identified? Are there any further barriers? How should these barriers be addressed?	Consideration of non-network options in economic assessments may also be affected by emerging markets for specific network support services. For example, ATCO's Central West Pumped Hydro (CWPH) project, a 325MW pumped storage hydropower facility located in NSW has the potential to avoid $100 million in investment in synchronous condenser plant by the transmission network service provider and renewable generators as it provides equivalent inertia and voltage support to 2 x 150MVA synchronous condensers. The use of CWPH to support renewable generators could provide a streamlined and cost-effective alternative to satisfy system strength remediation requirements. Equal treatment of non-network solutions from all market participatants will ensure efficient transmission investment.
19. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	Click or tap here to enter text.

CHAPTER 4 – ISSUES IN THE REGULATORY FRAMEWORK AND PROCESSES FOR TRANSMISSION INVESTMENT, FINANCING AND DELIVERY

Balancing TNSP's exclusive right to build and own transmission projects	
20. Are there features of financing infrastructure projects used in other sectors that should be considered in the context of the efficient and timely delivery of major transmission projects?	There are examples internationally of financing major transmission projects. For example, the tendering process developed by the Alberta Electric System Operator (AESO) sought to move away from the traditional cost of service model and adopted a flexible distribution of risk between consumers and the successful proponent.[1] The design of the tendering process recognised constraints and developed a model that encouraged innovation, competition and shared risks between the successful proponent and consumers. This process also requires the applicant to demonstrate its existing financial capacity, its ability to access the debt and equity markets and the terms and conditions of any financing.
21. Should the delivery of transmission projects be made contestable? If not, why?	ATCO supports the delivery of transmission projects on a contestable basis as it will facilitate fresh design, innovation, new capital and entrepreneurship to the market. The operation of competitive market forces will justify the removal of the current RIT-T process and creates the environment to ensure that only prudent and efficient costs are passed onto consumers.
22. What options, other than changes to the right of TNSPs to provide regulated transmission assets, could be considered to ensure timely investment and delivery of major transmission projects?	The development of a competitive process that is appropriate to the Australian context is to key to ensuring timely investment and delivery of major transmission projects. The Australian Energy Regulator (AER) commissioned HoustonKemp to report on different models to deliver transmission contestable projects. ATCO supports the detailed examination of the "Sponsor" model considered by HoustonKemp in their August 2020 report to the Australian Energy Regulator.[2] This model reflects the competitive process developed by the Alberta Electric System Operator (AESO) where the successful bidder designs, builds, finances, owns, operates and maintains significant transmission infrastructure. The risk allocation model under a contestable process will need to be carefully considered to ensure that risks are borne by the party that is best placed to manage the risk. The risk allocatrion model will need to

1 More information available at: https://www.aeso.ca/grid/competitive-process/

2 HoustonKemp, Regulatory treatment of large, discrete electricity transmission investments, 19 August 2020, Available from: https://www.aer.gov.au/system/files/HoustonKemp%20-%20Regulatory%20treatment%20of%20large%20transmission%20investments%20-%20August%202020%2811698947.1%29.pdf

	consider all aspects that will affect a transmission project. For example, environment approvals, line routes and land acquisition, ground conditions, foreign exchange, inflation, weather etc In addition to consideration of the contestable process model, it is important that there are measures to ensure a level playing field and that there are incentives for new entrants to participate in any contestable process. At a minimum this needs to include consideration of the following: • stronger information disclosure provisions by jurisdictional planning bodies • greater timeframes to determine and assess construction requirements • tendering requirements to restrict exclusivity provisions with available EPC contractor pool • eliminate the potential for advantage between the incumbent network provider and associated businesses • funding support to partially offset bid response costs.
23. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	This issue should be a key priority and presents a significant opportunity to ensure that ajor transmission projects are delivered at a priudent and efficient costs to the long term benefit of consumers.
Treatment of of 'early works'	
24. Do stakeholders seek further clarity on the meaning of preparatory activities and early works?	The role of early and preparatory works in reducing project uncertainity is important. New entrants are significantly disadvantaged in conducting early and prepartory works by having no means of cost recovery or access to all of the information that may be needed for this work. Ensuring that all stakeholders have access to the same information would help to level the playing field by providing all proponents have transparency. In ATCO's view preparatory or early works need to be conducted independent of the incumbent TNSP to ensure all parties have equal access to information revealed through this work.
25. Should the Commission consider how the costs of early works can be recovered?	ATCO considers that this should be a consideration for the Commission, with the recovery of early works not limited to the incumbent TNSP and avenues for other proponents to recover costs explored. Bid cost recovery should be considered to ensure that reimbursement of costs is included in response.
26. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	ATCO agrees that the treatment of early works and cost recovery of these works should be considered a priority issue for the Review.
Processes for jurisdictional environmental and planning approval	
27. Would additional clarity on cost recovery arrangements for preparatory activities or early work improve a TNSP's ability to meet jurisdictional requirements in a timely manner?	Click or tap here to enter text.

28. Do jurisdictional planning and environmental requirement intersect with the national transmission planning and investment frameworks in ways that are not discussed above and may require further consideration?	Click or tap here to enter text.
29. Do you agree that the Review should take forward this issue as a priority issue? If not, why?	Click or tap here to enter text.

OTHER COMMENTS

30. Please provide any further comment relating to issues discussed in the chapters 1-4 of the consultation paper.	The lack of transmission investment is constraining growth in the energy market. While the market is experiencing rapid change, the drivers of this change are not being taken into sufficient consideration in the current planning processes. Consumers are unable to reap the full benefits of new renewable energy sources, as these wider economic benefits are not captured and incorporated into investment decisions. Consideration of factors such as unlocking greater renewable energy generation, energy storage, market benefits, stimulating local jobs, regional growth and environmental, social and governance are impacting on the investment environment and policy framework for the energy market. The full benefit of alternative delivery models for transmission projects are unable to be considered and potential community benefits overlooked, for example through indigenous ownership. There is a need for flexibility to consider the influence of wider economic benefits in the timing and delivery of major transmission projects to allow consumers access to the range of benefits unlocked by investment decisions.
31. Please discuss any further issues the Commission should take forward in this review in relation to topics covered in chapters 1-4 of the consultation paper.	Click or tap here to enter text.

TEMPLATE FOR MATERIAL CHANGE IN NETWORK INFRASTRUCTURE PROJECT COSTS RULE CHANGE REQUEST

CHAPTER 5 – MATERIAL CHANGE IN NETWORK INFRASTRUCTURE PROJECT COSTS RULE CHANGE REQUEST

Who should decide whether whether the RIT-T must be reapplied?	
32. Should this decision remain the responsibility of the proponent or should it be a matter for the AER? Why?	Click or tap here to enter text.
33. If the decision remains with the proponent, should the AER have the right to test that opinion?	Click or tap here to enter text.
Cost thresholds	
34. Should the NER include a requirement to reapply the RIT, or update analysis, when costs increase above specified thresholds? If so, do you have a view as to what those thresholds should be?	Click or tap here to enter text.
35. Do you consider this requirement should apply to all RIT projects or only those above a particular cost threshold/s? If so, do you have a view as to what the threshold/s should be?	Click or tap here to enter text.
36. Do you have any views regarding the suggested alternative "decision rule" approach?	Click or tap here to enter text.
37. Should updated project cost data be provided to AEMO to help improve the accuracy of the ISP?	Click or tap here to enter text.
38. Do you have any other suggestions regarding alternative ways to manage cost increases?	Click or tap here to enter text.
Requirements when reapplying the RIT	
39. Should the requirement to reapply the RIT be more targeted?	Click or tap here to enter text.
40. Should any additional analysis and modelling that is required to be undertaken be published and subject to public consultation?	Click or tap here to enter text.

Trigger to reapply the RIT	
41. Do you have any views as to how the requirement to reapply the RIT should be given effect, including for contingent and non-contingent projects?	Click or tap here to enter text.
42. Should there be a cut-off point (e.g. once the AER approves the CPA, or once construction commences) beyond which any requirement to update analysis cannot be triggered? If so, what would be an appropriate cut-off point?	Click or tap here to enter text.
43. Should there be a limit on how many times RIT analysis must be updated?	Click or tap here to enter text.
Should RIT cost estimates be more rigorous?	
44. Do you consider that the current level of rigour used for RIT cost estimates is suitable? If not, what level of rigour is appropriate? In particular, would it be appropriate to require an AACE 2 estimate (i.e. a detailed feasibility study) for each credible option?	Click or tap here to enter text.
45. If more detailed cost estimates are required at the RIT stage, should this apply to all RIT projects, or only to larger projects? If so, which projects should be subject to this requirement?	Click or tap here to enter text.
46. Do you have any other suggestions to address the issues raised in the rule change request?	Click or tap here to enter text.

OTHER COMMENTS

47. Please provide any further comments on this chapter.	Click or tap here to enter text.