

1 February 2021

Australian Energy Market Commission
GPO Box 2603
SYDNEY NSW 2001

Submission via online submission form

Dear Sir/Madam

Re: Connection to dedicated connection assets

Thank you for the opportunity to respond to the draft rule and draft determination to create a new regime for designated network assets (Reference: ERC0294).

ATCO acknowledges the work of the AEMC in developing the preferable rule change that considered a range of factors affecting connection and use of the transmission system in the national electricity market (NEM).

ATCO has made this submission from the perspective of a potential investor in generation, storage and transmission assets within renewable energy zones (REZs) in the NEM. ATCO are keen to utilise its substantial international experience in electricity transmission and generation in Australia.

ATCO supports the removal of the ownership restrictions on funded network assets such that a party whose facility is connected to an identified user shared asset (IUSA) or a designated network asset is not prevented from also owning that IUSA or designated network asset. This is a necessary step to enable a master developer to coordinate the development of a REZ.

ATCO would prefer that a holistic approach to REZs from the start rather than the added complication of converging designated network asset and REZ frameworks in the future. ATCO acknowledge that the arrangements for designated network assets set out in the preferable rule change will be important in facilitating connection of smaller REZs and support radial 'spokes' to feed generation into larger REZs. Whilst the draft determination recognises that the more preferable draft rule, which is based around a radial network configuration, might not be suitable in REZs that have many gigawatts of generation capacity, these arrangements may set a precedent for the work program that the Energy Security Board are progressing with larger REZs.

The REZ framework should support new entrants, provide revenue certainty and guide risk allocation amongst the participants. The framework should also encourage the entry of new participants and competition by providing an opportunity for the private sector to bring new capital to the market.

The preferred rule proposed by the AEMC appears to favour incumbent transmission network service providers (TNSPs) with monopoly power over the new entrants. It provides for the operation, maintenance and control of access arrangements for the new designated network asset to lie with the incumbent TNSP, providing a further advantage to the incumbents that will deter new entrants to the market. Providing this responsibility to the incumbent TNSP creates uncertainty for new

investors, as it will affect their ability to effectively manage the asset over its lifecycle and creates a further barrier for entry.

ATCO recognises that the reliability and security of the shared network is fundamental to the NEM and that coordination by all parties will be required to ensure that this is not compromised. ATCO proposes an alternate approach to the co-ordination of transmission and generation investments that has regard to the needs of communities and developers. Our alternate approach would require the State Government in each jurisdiction to appoint a master developer for each REZ which would be subject to a certification process that ensures the developer has the appropriate organisation capability (including technical and financial) or allow an independent body such as AEMO to undertake the role. This process must ensure the Jurisdictional Planning Body, other TNSPs, AEMO and private developers have access to undertake this role.

Once appointed the master developer will then be responsible for power system security through the coordination of operation, maintenance and control of access arrangements for the REZ. ATCO previously proposed this framework to the Energy Security Board during their consultation on the Interim REZ framework¹ and will provide a further submission to the current Energy Security Board consultation paper on Stage 2 REZ.

In order to attract new private sector capital to REZs and facilitate competition in the marketplace, revenue certainty and clear risk allocation are key. The new rule should provide a level playing field for all similar asset investments. Under the preferred rule, there may be a perception that dedicated network assets are treated differently to the shared network, where new investments in the shared network, subject to the relevant tests can be incorporated into the regulated asset base of TNSPs and costs are recovered from all users. In comparison, the risk of investment in dedicated network assets must be fully borne by the investor. To bring new capital to the market the private sector allocation of risk under the framework must be equally balanced for all potential investors.

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 almost 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.

¹ Available from:
<http://www.coenergyCouncil.gov.au/sites/prod.energyCouncil/files/publications/documents/ATCO%20Response%20to%20Consultation%20Paper%20and%20Draft%20Rules%20-%20Interim%20REZ%20framework.pdf>

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.

If you have any questions or would like to discuss any of these issues further, please contact me or Ben Bolot, Executive General Manager, Business Development on 0400 995 022.

Yours sincerely



J.D. Patrick Creaghan

Managing Director & Chief Operating Officer