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CONNECTION TO DEDICATED CONNECTION ASSETS

1. Introduction

Genex Power Limited ("Genex" or the "Company") is pleased to provide this submission (the "Submission") in response to the consultation paper relating to the Connection to Dedicated Connection Assets published by the Australian Energy Market Commission (AEMC) on 5 March 2020 (the "Consultation"). Genex welcomes the opportunity to submit feedback on the proposed rule change by the Australian Energy Market Operator (AEMO) the subject of the Consultation (the "Rule Change") and has a particular interest in the Rule Change as it relates to the Company's flagship 250MW Kidston Pumped Hydro Storage Project at Kidston, North Queensland ("Kidston Hydro" or the "Project").

2. Overview of Genex

Genex is a power generation and development company listed on the Australian Securities Exchange (ASX Code: GNX), with a market capitalisation of approximately \$[60] million. Genex is focused on innovative clean energy generation and electricity storage solutions in the National Electricity Market (NEM). The Company's portfolio is centred around the Kidston Renewable Energy Hub at Kidston, North Queensland, which is based on the rehabilitation of a former mine site. The Renewable Energy Hub comprises the following:

- The 50MW solar PV project at Kidston ("KS1");
- The Kidston Hydro project;
- The Kidston Stage 2 Solar PV project of up to 165MW ("K2-Solar"); and
- The Kidston Stage 3 Wind project of up to 150MW ("K3-Wind").

The KS1 project is currently operating and is connected to the NEM via the existing 132kv Ergon Energy distribution network line to Ross. The Kidston Hydro project and K2-Solar and K3-Wind projects are together expected to connect to a new 185km 275kv transmission line between Kidston and Mt Fox, to be constructed, owned and operated by Powerlink (the "Transmission Line").

In addition, Genex is currently constructing the 50MW Jemalong Solar PV project near Forbes, NSW, which is expected to commence generation in Q4 2020.

3. Response to Consultation Questions

Genex is pleased to provide responses to the questions raised in the Consultation, as set out below.

Question 1: Creating Individual Connection Points

1.1 Should each Registered Participant connected to a DCA be required to have an individual connection point? What would be the consequences of creating a transmission network connection point at the point where each participant's facility connects to the DCA?

Genex is firmly of the view that each Registered Participant connected to a DCA should be required to have an individual connection point, notwithstanding that such connection point would be at the same physical location. The benefit of such an arrangement is that it would allow each participant to be its own Financially Responsible Market Participant (FRMP), be assigned its own MLF and be responsible for its own negotiation and compliance with its performance standards. We consider that the absence of the ability to establish separate connection points for different generators at the end of a DCA creates a significant impediment for new generation capacity to be delivered. We see the ability to fully utilise existing DCAs as critical to ensuring the efficient use of the transmission infrastructure.

Notwithstanding this, Genex also recognises that 'behind the meter' arrangements are an important commercial model in the NEM and therefore we consider that this arrangement should not be precluded from any rule change relating to DCAs.

1.2 Should the DCA connection point to the shared transmission network also continue to be a transmission network connection point or would this 'DCA connection point' need to be defined differently? If so, how?

Genex is not in a position to comment specifically on the classification of the DCA connection point under the National Electricity Rules (NER). However we do consider the importance of the ability for AEMO to isolate specific transmission infrastructure, as well as individual generators, in its role in managing the NEM and the transmission network. As such we consider the classification of the DCA connection point should make provision for AEMO's ability to isolate the DCA at such connection point.

1.3 Would a metering installation continue to be required at the DCA connection point? How should TUOS charges be levied for load customers connected to a DCA?

Genex is not in a position to comment specifically on this question.

Question 2: Negotiation and Enforcement of Performance Standards

2.1 Do the current arrangements give rise to issues in terms of negotiating, monitoring and enforcing performance standards? What would be the costs of leaving the negotiation of NER responsibilities up to the contractual arrangements with other proponents/the DCASP compared to AEMO's proposed solution?

We believe the current rules create significant impediments to the negotiation of performance standards for additional generators, after a first generator is connected to a DCA. The procedure as we understand it involves the existing generator being required to amend its performance standards under its connection agreement to accommodate the new generator connecting, in accordance with the Access Policy governing the DCA. This would be in the form of a 'shared performance standard'.



We believe this is unworkable and creates a significant impediment for the connection of new generation to an existing DCA. This is on the basis that:

- The entrenched generator has a stronger negotiating position and can therefore use the process to frustrate the connection of the new generator; and
- The approach to performance standards in the NEM is rapidly evolving and by having to renegotiate these, it may impact negatively on the ability of both generators to operate.

In terms of the monitoring and enforcement of performance standards, we believe this is significantly complicated and difficult in practice with a single transmission network connection point for multiple, unrelated generators. This is because it is time-consuming, costly and complex to isolate the compliance of each generator with its performance standards, and it introduces the risk of one generator's non-compliance resulting in the isolation of all generators at the shared transmission network connection point.

We firmly believe that the requirement for individual transmission network connection points for each generator will allow the negotiation, monitoring and enforcement of performance standards in a streamlined manner, as is the case with other generators connected to the NEM. The failure to do so creates a significant impediment for new generators to connect to an existing DCA and therefore severely limits the efficient use of existing transmission infrastructure.

2.2 If performance standards were to be negotiated at individual connection points to a DCA, should these be negotiated by the DCASP or the Primary TNSP? Would both NSPs need to be involved?

We would make the observation that when proponents connect to the distribution network, this negotiation is completed with the DNSP, and we would see this framework as having a potential suitable application under the Rule Change.

2.3 Which parties should have responsibilities for maintaining system strength?

Genex is of the view that system strength should be assessed as part of the individual generator performance standards negotiated with each individual generator.

2.4 Are there alternatives to AEMO's proposal, eg. Could the negotiation and enforcement of performance standards for parties connected to a DCA occur at a point other than the facility's connection point to the DCA?

In our experience, there is no viable alternative to the matter of compliance with performance standards for multiple generators at a single transmission network connection point. We believe the only workable solution is to have a separate transmission network connection point for each generator.

Question 3: Transmission Losses

3.1 Should MLFs for individual facilities in an identified user group connected to a DCA be calculated consistent with the rest of the NEM?

Genex firmly believes that individual generators connected to a DCA should be assigned individual MLFs at their individual transmission network connection points, in the same manner as the rest of the NEM. Furthermore, there is an inherent difficulty in apportioning the impact of MLF changes



among several generators at a shared transmission network connection point which creates a significant commercial impediment.

3.2 Should the DCASP instead calculate the average DCA loss factors for DCA connected proponents to reflect losses on the DCA? Are there any other alternatives to calculate transmission losses?

In our experience, it is critical that the MLF assigned to a generator be specific to that generator, and be at its transmission network connection point at the generator side of the DCA. This is on the basis that should a single MLF be allocated at the DCA connection point, and average loss factors shared between the generators for losses on the DCA, the same issue as above ensues i.e. contamination of loss factors between different unrelated generators, and difficulty in apportioning loss factor changes among these generators. It also becomes extremely difficult and complicated to reconcile loss factors between generators for settlement purposes.

Question 4: Access Framework

4.1 Should all DCAs be required to have an access policy?

Genex sees the access policy as a useful tool to manage third party connections to a DCA while protecting the interests of incumbent generators. We believe that this arrangement is useful in relation to DCAs which have excess capacity, as it facilitates the efficient use of transmission infrastructure in an orderly manner.

4.2 If not what would be an appropriate threshold for the differentiation between DCAs that should have an access policy, and those that need not?

Per above. We think this is relevant for DCAs which might have legitimate spare capacity, but cannot comment specifically on a threshold level.

Question 5: Transitional Provisions and Other Issues

5.1 Are AEMO's proposed transitional provisions appropriate? Would additional or alternative transitional provisions be required to address the issues identified in the rule change request?

Genex believes the proposed transitional provisions are highly appropriate. We see this as providing flexibility for current generators (or those which are under construction) to opt in to the new regime, while retaining the ability to operate under the existing regime.

5.2 Are there any other issues that the Commission should consider in relation to the proposed rule change?

Genex has no further comment to add in response to this question.



4. Summary and Conclusion

We again welcome the opportunity to contribute to this consultation on the future regulatory environment for dedicated connection assets. We have particular experience with the existing NER and regime for DCAs in the development of our flagship Kidston Hydro project, and are highly supportive of the Rule Change as proposed by AEMO. Importantly, we believe that this Rule Change is required to support the efficient utilisation of existing transmission infrastructure where available in the NEM.

We look forward to the consideration by the AEMC of this Submission and we are committed to continued participation in the AEMC consultation process.

Yours faithfully

A handwritten signature in black ink, appearing to read "J Harding", with a long horizontal flourish extending to the right.

James Harding
Chief Executive Officer