

From: Response Report <[REDACTED]>
Sent: Wednesday, 10 November 2021 3:46 PM
To: EES ECCS Electricity Infrastructure Roadmap Mailbox
Subject: Your form "Electricity infrastructure roadmap policy consultation" got a response

Categories: Reg Coord team to response

Your form "Electricity infrastructure roadmap policy consultation" has received the following response:

Submitted on: 10/11/21 15:45:41

Completion time:

Your detailsSubmission type
- Organisation

Other

Author name

Anton King

Organisation

AGL

Author title

Wholesale Markets Regulation Manager

Email

Stakeholder group

Generation or storage infrastructure provider

Other (please specify)

QuestionsQuestion 1: Do you agree with the proposed guiding principles? Are there additional principles that should be considered?

AGL agrees with the proposed guiding principles, in particular the requirements of protecting the long-term interests of NSW electricity customers and the allocation of risks to the parties best able to manage them. We suggest two additional guiding principles are warranted. First, to ensure that existing transmission access and other rights for existing generators in the NEM are maintained. Second, to ensure appropriate consideration of other NEM regions and the system as a whole, as occurs when transmission investment is considered in the ISP. Without a whole of system analysis new NSW transmission infrastructure investment may unnecessarily duplicate investment occurring in another region, undermining the value of both investments, and may have other unforeseen consequences for interconnector flow or transmission investment.

Question 2: What are your views on the proposed approach to defining classes of network infrastructure?

AGL consider that the classes of network infrastructure prescribed by the NSW regulations should be consistent with the definitions in the National Electricity Rules (NER). We do not consider it necessary to create a specific category for system security as proposed, as infrastructure providing system security is covered under the other classes and assets which provide system security often have overlapping functions.

Question 3: Are there any risks to the effective delivery of a REZ if the necessary system strength services are not included as a class of network asset under the EII Act?

AGL broadly supports the new system strength mechanisms as outlined in the recent AEMC Efficient management of system strength on the power system final determination. We do not consider it necessary for the NSW regulations to create overlapping requirements to provide for the provision of system strength.

Question 4: Does the proposed method appropriately balance the transparency of costs recovered through the Scheme Financial Vehicle against the certainty needed to conduct preparatory activities and development works to deliver timely REZs?

AGL agrees that a mechanism by which the Scheme Financial Vehicle can fund preparatory activities without ultimately recovering those costs from the Network Operator in some circumstances is appropriate. Such flexibility will ensure the scope of preparatory activities is not limited to only those activities that can appropriately be passed to the Network Operator and will also ensure that certain costs can be excluded from recovery if the inclusion of those costs would dissuade the Network Operator from financing the network infrastructure. Nevertheless, we suggest the circumstances for not recovering those costs, and how the proposed activities and costs are assessed, should be clearly defined in the regulations to minimise the need for subjective assessment by the Minister.

Question 5: What information relating to network options do Long-Term Energy Service Agreement and access right tender participants require to provide sufficient certainty and confidence to participate in the bid processes?

A high degree of transparency regarding network infrastructure project options will be necessary at the beginning of the development of a new REZ to allow generators to enter LTES Agreements and access scheme tenders with confidence. We support the proposal to fix aspects such as line route, substation location, timing, staging, cost recovery and procurement at the time the Infrastructure Planner makes its preliminary recommendation.

In considering options for network infrastructure development, we suggest the Infrastructure Planner should identify the service required rather than the technology required to provide that service, to ensure a technological neutral approach. Where the network service identified can be provided by a generator or battery, as will most often be the case for a system service or storage need, we suggest that a competitive approach should be mandated. We do not consider that a monopoly network operator would develop services of this nature as efficiently as market participants who are subject to competition.

Question 6: What eligibility criteria should apply for Network Operators that may be authorised to carry out a REZ network infrastructure project?

We suggest that tenders for REZ network infrastructure projects should be open and not limited with eligibility criteria. We expect that generally parties submitting to the tender process would have the eligibility to complete the project and that eliminating those that are not realistic competitors should not be too onerous for the Infrastructure Planner. If it is determined that a short list of eligible providers is required, we suggest that inclusion on the shortlist should not be subject to onerous eligibility criteria and should not exclude foreign providers. Incumbent providers of network infrastructure should not be advantaged over new entrants.

Question 7: What factors should be considered by the Consumer Trustee in recommending that the Minister direct, and by the Minister in directing, a Network Operator to carry out a REZ network infrastructure project under the EII Act?

The Consumer Trustee should elect to recommend the Minister to direct the Network Operator to carry out a REZ network infrastructure project only as a last result. This process should be transparent and only utilised where unavoidable. We also suggest that the scope of a project carried out under this mechanism should be minimised so that the project only addresses the need which justifies the departure from the normal development process.

Question 8: How can consumer and stakeholder input be considered in the TET and revenue determination processes?

We suggest that how consumer and stakeholder input is considered in the TET should be aligned with how stakeholder engagement informs the RIT under the national framework.

Question 9: Is clarification required with regard to the principles to be taken into account by the Regulator and the Objects of the Act, and are there any additional principles that should be considered by the Regulator?

AGL suggests that the principles should be closely aligned with the revenue and pricing principles in the National Electricity Law (NEL).

Question 10: What views do you have on these elements and is there any other guidance that should be included in the TET Guidelines to be developed by the Regulator?

We support the inclusion of the suggested elements in the Transmission Efficiency Test guidelines. We suggest stakeholders should be given an opportunity to consult on draft guidelines once they are developed.

Question 11: Should financeability concerns be addressed in the NSW framework?

We do not consider that there are legitimate financeability concerns for network infrastructure in NSW or the NEM more generally. We consider that the low risk regulated returns available for network investment would be considered attractive to both network operators and providers of finance, particularly given current low interest rates. It is unclear why financeability needs to be addressed separately to the consideration of finance under the Transmission Efficiency Test (TET). Surely if a project meets the TET it would be appropriately remunerated, including with an accounting for risk, and therefore attracting finance should not be an issue.

Question 12: What views do you have on these elements and is there any other guidance that should be included in the Guidelines regarding the revenue determination to be developed by the Regulator?

We support the inclusion of the suggested elements in the proposed revenue determination guidelines. We suggest stakeholders should be given an opportunity to consult on draft guidelines once they are developed.

Question 13: Are there any elements of the AER's approach to assessing and setting regulated revenue requirements which should be modified or added to when considering the framework that will be applied under the EII Act in NSW?

We suggest that the framework applied under the EII Act should be consistent with the AER's approach to assessing and setting regulated revenue requirements, including any changes to the approach due to the ongoing AEMC Transmission planning and investment review.

Question 14: What do you think about an incentive scheme to ensure the availability of projects and the timely connection of generators to a REZ by Network Operators? How could that be designed?

We support the inclusion of the same incentive schemes as used under the national framework (i.e. CAPEX, OPEX, service target, and demand management incentive schemes). In regard to ensuring that an infrastructure projects costs do not unreasonable vary from the costs as assessed under the Transmission Efficiency Test we suggest a mechanism such as proposed for the NEM under the AEMC Material change in network infrastructure project costs rule change should be adopted. Under the proposed rule a Regulatory Investment Test (RIT) proponent must reapply the RIT process if, following completion of the RIT, its project's costs have increased by 10 per cent (for larger transmission and distribution projects) or 15 per cent (for smaller transmission and distribution projects), unless an exemption is granted by the AER. We consider this mechanism if adopted will provide a very effective incentive for network operators to accurately estimate transmission infrastructure project costs.

Question 15: Do you agree there should be limited circumstances in which the Consumer Trustee directs the Regulator to review and remake a revenue determination outside of the five-yearly cycle?

We support the proposed approach by which the only time for a review and remaking of a revenue determination outside the five-yearly cycle is to adjust an existing determination for reasons consistent with those under the National Electricity Rules.

Question 16: Do you agree with the proposed circumstances that the Regulator may adjust a revenue determination during the five-yearly cycle?

We support the adoption of AER's approach under the national framework.

Question 17: Is there a need to clarify the process for transitioning of assets between the NSW and national frameworks?

The transitioning of network infrastructure assets between the NSW framework and the national framework may lead to an over-recovery or under-recovery of costs as the policy paper mentions. It may also lead to a misallocation of costs, given projects under the NSW framework are subject to a different test to the national framework and also likely subject to REZ access fees. These factors may mean that the transfer may increase costs or reduce benefits for affected consumers. For these reasons, we suggest that the process for transitioning of assets between the NSW and national frameworks does need to be clarified.

Question 18: Is there a need to clarify the circumstances by which a transfer of network infrastructure from a Network Operator to another person may occur under the EII Act?

While network infrastructure is subject to regulated returns and therefore the transfer of ownership is unlikely to lead to any competition concerns, it's possible that the transfer may alter the operation of the assets and therefore clarity on the circumstances under which a transfer of network infrastructure from a Network Operator to another person may occur would be useful.

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