RESPONSE #4748 SUBMITTED ON 05/21/2021 01:24:00 PM

Tranche two regulations issues paper consultation submission form

Your details

Submission type	**Organisation**
If Other, please describe	*No answer given*
Author name	**Shannon Moffitt**
Organisation	**Ausgrid**
Author title	**Regulatory Strategy Manager**
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Stakeholder group	**Network infrastructure provider**
If Other, please describe	*No answer given*

Questions

Chapter 4 – Energy Security Target

Question 1: Should the Energy Security Target Monitor define the method to determine the derating factor or should the method be defined in the regulations? If not by the derating factor, how else should the regulations address the probabilistic nature of semi-scheduled generators in the context of the deterministic Energy Security Target?	*No answer given*
Question 2: Should the regulations prescribe any other matters for inclusion in the Energy Security Target Monitor's report? If so, what are they?	*No answer given*

Chapter 5 – Electricity Infrastructure Investment Safeguard

Question 3: To what extent are the requirements for carrying out competitive tenders of Long Term Energy Service agreements appropriate? Are there any other requirements that should be considered?	*No answer given*
Question 4: Do you agree with the matters the Consumer Trustee must take into account when preparing the Infrastructure Investment Objectives Report? Are there any other matters that should be taken into account?	*No answer given*
Question 5: In what circumstances should the Consumer Trustee prefer long duration storage over firming infrastructure to meet the reliability standard?	*No answer given*

Chapter 6 – Classification of Renewable Energy Zone (REZ) network infrastructure

Question 6: Are there any other considerations that should be taken into account in classifying REZ network infrastructure in regulations, including the need for, and scope of, sub-classifications?	*No answer given*
Question 7: What types of network infrastructure could be subject to economic regulation under Part 5 of the EII Act?	*No answer given*

Supporting information

If you have additional information you would like to provide to support your views, please provide it here	*No answer given*
If you have additional documents to provide to support your views, please upload them here	**Ausgrid - Submission on tranche 2 regulations - 21 May 2021.pdf**

Confidentiality and submission publication preferences

Would you like all or part of your submission to be confidential?	**No**
Would you like your submission to be anonymous and these personal details redacted?	**Yes**

Attached Files

Ausgrid - Submission on tranche 2 regulations - 21 May 2021.pdf

https://nswdpie.tfaforms.net/uploads/get/8b2803d495543822e68d395238be98c2-Ausgrid-Submissionontranche2regulations-21May2021.pdf (https://nswdpie.tfaforms.net/uploads/get/8b2803d495543822e68d395238be98c2-Ausgrid-Submissionontranche2regulations-21May2021.pdf)

Ausgrid submission

Roadmap: Tranche 2 regulations

May 2021

21 May 2021

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Attn: James Hay
Chief Executive, Energy Corporation of NSW
Deputy Secretary Energy, Climate Change and Sustainability
Department of Planning, Industry and Environment

Dear Mr Hay

Ausgrid welcomes the opportunity to comment on the Department of Planning, Industry and Environment's (**DPIE**) Issues Paper on the *Tranche two regulations to support the Electricity Infrastructure Roadmap* (**Issues Paper**).

Our electricity infrastructure is well placed to support the objectives of the NSW Energy Infrastructure Roadmap (**Roadmap**) and unlock benefits for customers and local communities. This is through the operation of a shared electricity network that powers the homes and businesses of more than 4 million Australians living and working in an area that stretches from the Sydney CBD to the Upper Hunter.

We look forward to continued collaboration on the Roadmap and the opportunity to promote the long-term interests of customers. The main points in our submission are:

- distributed energy resources (**DER**) are playing an increasingly significant role in meeting the energy needs of customers and should be explicitly incorporated into the Energy Security Target;
- tenders for long-term energy service agreements (**LTSEA**) must not discriminate between generators planning to locate on either the distribution or transmission network;
- an additional round of consultation with the NSW distributors and other stakeholders will be required after the Australian Energy Market Commission (**AEMC**) makes its final rule on *Connection to Dedicated Connection Assets* in July 2021; and
- to minimise costs for customers the Regulations should give primacy to the contestable delivery of Renewable Energy Zone (**REZ**) network infrastructure using competitive tender processes.

Our response to specific questions in the Issues Paper is set out in Appendix A. If you have any queries in respect of this submission, please contact Shannon Moffitt on [redacted] or [redacted]

Yours sincerely

Rob Amphlett Lewis
Chief Customer Officer

Appendix A: Our submission

Our submission provides targeted comments on questions 2, 3, 6 and 7 in the Issues Paper.

Question 2: Should the regulations prescribe any other matters for inclusion in the Energy Security Target Monitor's report? If so, what are they?

The Energy Security Target Monitor's report is intended to notify investors about the need for new infrastructure to maintain a reliable supply of electricity in NSW. To do this, we broadly support the definitions in the Issues Paper for calculating 'maximum demand', 'reserve margin', and 'firm capacity'. This is subject to an explicit requirement in the Regulations to consider the impact of DER.

DER is playing an increasingly larger role in meeting the energy needs of NSW customers. Without explicitly incorporating DER, there is thus a risk that the Energy Security Target could overstate the level of investment needed to maintain reliable supply. The type of DER should include both 'behind the meter' and utility scale resources, including community batteries. We suggest adding the following provision to the Regulations: 'In assessing whether or not the firm capacity will meet the Energy Security Target, the Energy Security Target Monitor report must include analysis of the capacity of existing and forecast distributed energy resources'.

Question 3: To what extent are the requirements for carrying out competitive tenders of LTESAs appropriate? Should any other requirements, if any, be taken into account?

The Issues Paper includes draft principles which, if included in the Regulations, are intended guide how the Consumer Trustee will undertake competitive tenders for LTESAs.

In our view, the draft principles could be expanded. While they adequately establish high level objectives – for example they require consideration of 'the long-term financial value of the tender participant's offer' – they do not provide clear guidance about the process that the Consumer Trustee will undertake when managing the LTSEA bidding processes. We recommend that this guidance is included in the Regulations to provide greater certainty about the procedure and governance measures that will be undertaken.

Neither transmission or distribution solutions should be preferred under the Roadmap. We therefore recommend an additional principle stating: 'the conduct of tenders must not discriminate between generators planning to locate on either the distribution or transmission network'. This agnostic approach will drive lower cost outcomes by allowing all credible LTSEA options to be considered on an equal footing.

Question 6: Are there any other considerations that should be taken into account in classifying REZ network infrastructure in regulations, including the need for, and scope of, sub-classifications?

The Regulations should prescribe how different elements of network infrastructure supporting REZs are regulated. This should include classifying when network infrastructure is contestable and therefore unregulated, and when it is subject to economic regulation under the *Electricity Infrastructure Investment Act 2020* (**Act**) or, alternatively, the National Electricity Rules (**NER**).

In the Issues Paper the NER framework for classifying transmission network infrastructure is suggested as a potential approach. We agree that, where possible, it is preferrable for the framework under the Roadmap to be consistent with the national regime. There is, however, an AEMC rule change on the *Connection to Dedicated Connection Assets* that is currently on foot and which must

be considered. Among other things, this rule change removes the concept of large dedicated connection assets which is specifically noted in the Issues Paper (see below).

Table 1: Extract from Issues Paper summarising NER connection framework

Service classification	Treatment under the NER	Assets involved
Prescribed transmission services	Subject to access under Chapter 5 and economic regulation under Chapter 6A	Transmission network Network connection assets
Distribution Services	Subject to access under Chapter 5 and economic regulation under Chapter 6	Distribution network Network connection assets
Negotiated transmission services	Subject to access under Chapter 5	Transmission network Identified user shared assets with a capital cost of less than $10 million
Negotiated distribution services	Subject to access under Chapter 5	Distribution network
Large Dedicated Connection Asset services[17]	Subject to access under the access policy established under clause 5.2A.8	Large dedicated connection assets
Non-regulated transmission services	Not subject to access under Chapter 5 or economic regulation under Chapter 6A	Transmission system Identified user shared assets with a capital cost of more than $10 million Dedicated connection assets

In addition, the AEMC's draft rule for *Connection to Dedicated Connection Assets* removes the $10 million capital cost threshold (highlighted in the table above) for non-regulated transmission assets.[1] It also introduces a new concept of 'funded network assets' as an umbrella term to cover different types of market-participant funded assets that is not in the Issues Paper.[2]

We would like to engage further with DPIE about the classification of REZ network infrastructure. Our view is that this additional round of consultation with the NSW distributors and other stakeholders will be required after the AEMC makes its final rule on *Connection to Dedicated Connection Assets*, which is scheduled for 8 July 2021.

Question 7: What types of network infrastructure could be subject to economic regulation under Part 5 of the EII Act?

The Roadmap, where possible, should give primacy to the contestable delivery of REZ network infrastructure. We envisage that this could work by the Regulations prescribing that the Infrastructure Planner, EnergyCo, is required to run competitive tendering processes for the delivery of REZ network infrastructure that is 'separable' from the existing distribution or transmission network. This market-based delivery model would align to the concept of non-regulated 'funded network assets' in the AEMC's draft rule for *Connection to Dedicated Connection Assets*.[3] It would also lead to robust outcomes for customers by leveraging the competitive tension between bidders, to reveal the efficient 'price' of building, operating and maintaining new REZ network infrastructure. Under this approach,

1 AEMC, Draft Determination: Connection to Dedicated Connection Assets, p. 126
2 AEMC, Draft Determination: Connection to Dedicated Connection Assets, p. 126
3 AEMC, Draft Determination: Connection to Dedicated Connection Assets, p. 126

economic regulation under the Act may only be needed as a last resort in circumstances where REZ network infrastructure could not be delivered as the result of a robust tendering process.

Thank you
Ausgrid