

Tranche two regulations issues paper: Consultation submission form

This form is to be used to provide feedback on a series of questions included in the [Tranche two regulations to support the Electricity Infrastructure Roadmap Issues Paper \(PDF 800KB\)](#) to help inform the development of the regulations.

Please see the [Electricity Infrastructure Roadmap webpage](#) for more information.

Consultation questions

You do not need to answer every question. Please answer the questions of interest to you.

Chapter numbers indicate the location of questions in the Issues Paper.

Please make your submission by **5pm on Friday 21 May**.

Confidentiality and submissions

Providing submissions is entirely voluntary, is not assessable, and does not in any way include, exclude, advance or diminish any entity from any future procurement or competitive process regarding the Electricity Infrastructure Roadmap, or any other NSW programs.

The NSW Government is committed to an open and transparent process, and all submissions will be made publicly available unless the stakeholder advises the Department not to publish all or part of its submission. Authors may elect for some or all of their submission to be kept confidential. If you wish for your submission to remain confidential please clearly state this in your submission.

Your details

Submission type	<input type="checkbox"/> Individual <input checked="" type="checkbox"/> Organisation <input type="checkbox"/> Other Click or tap here to enter text.
Author name	David Headberry
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Stakeholder group	<input type="checkbox"/> Generation or storage infrastructure provider <input checked="" type="checkbox"/> Electricity consumer or representative body <input type="checkbox"/> Network infrastructure provider

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	<input type="checkbox"/> Energy retailer <input type="checkbox"/> Government or market institution <input type="checkbox"/> Individual <input type="checkbox"/> Other (please specify) Click or tap here to enter text.
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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?

The MEU notes that the forecast on which the target is set, is derived from the AEMO forecasts which have consistently been more conservative than should be the case and the forecast 10PoE for NSW has only been exceeded once (In 2000/01) highlighting this concern. This then introduces a significant risk in establishing the Energy Security Target based on AEMO forecasts and then adding the proposed reserve margin of the two largest generating units. This approach will make the energy security target even more conservative, noting that the largest units are currently coal fired and the expectation is that these will no longer be in the mix as decarbonisation proceeds. The MEU considers that it would be more effective if the target was set on 50 PoE + the largest two units or 90PoE + the largest unit.

The MEU also notes that demand varies over a day and during the year, so applying a single derating factor is unlikely to represent an appropriate approach for much of the time, and if based on the time of maximum demand, will apply an excessive conservatism that could have unwarranted and unneeded outcomes over a full year.

This would imply a preference for the Monitor to set a derating factor based on a set of principles which would allow the derating factor to vary over time and under varying conditions.

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 MEU is aware that AEMO is already examining this issue and recommends that a consistent approach is needed for the NEM rather than having different approaches for each region. The MEU recommends that the Department closely liaise with AEMO to develop an approach that will be used NEM wide.

Chapter 5 – Electricity Infrastructure Investment Safeguard

Question 3: To what extent are the requirements for carrying out competitive tenders of Long Term Energy

The MEU was quite concerned when the energy sub-committee of the National Cabinet arbitrarily implemented an interim reliability measure (IRM) of 0.0006% of USE when the reliability standard had for many years provided a strong signal for new

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<p>Service agreements appropriate? Are there any other requirements that should be considered?</p>	<p>investment when set at 0.002% of USE. Using the IRM will increase conservatism, and therefore costs to consumers. The MEU is not convinced that the IRM should be used in preference for the Reliability Standard (currently 0.002% of USE) in seeking service agreements as this will impose higher (and unnecessary) costs on consumers for little overall benefit, noting that already most losses of supply occur due to distribution issues and not wholesale market issues.</p> <p>As prices for new VRE and batteries is likely to continue falling over the next decade, at different rates for different assets, potentially leading to a change in price ranking over time, the MEU sees the Trustee must take this into consideration when developing its approach to LTESAs. Further, the LTESAs must reflect what is developed for access rights associated with REZs implying close coordination with the REZ administrator.</p> <p>The MEU considers that tenders should be executed on a staged approach to match the growth in demand or loss of supply so that there are no contracts entered into too early and result in the ACT problem referred to in the response to Q4.</p>
<p>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?</p>	<p>While the approach detailed of the issues the IIOR should address are reasonably appropriate, the MEU sees that the IIOR needs to be consistent with the allocation of access rights to REZs.</p> <p>The report must also reflect the concern outlined the response to Q3, with no unnecessary commitments are made too early in the process, so the benefits of price changes and new technology can be implemented over time – effectively a staged approach should be implemented so that the delivery of new investment occurs only as needed. [The MEU points to the issue facing ACT consumers where commitments made too early have resulted in them paying prices higher now than current levels due to contracting too early in the process].</p> <p>The MEU considers that the IIOR will in many respects replicate the ISP process developed by AEMO, and there are aspects of this ISP process that could and should be implemented in the development of the IIOR.</p> <p>The implication of the MEU view is that the IIOR needs to be a “living document” that changes over time as new information comes to hand. As such changes might occur quite rapidly, the IIOR should therefore not be left just to be an annual update.</p>
<p>Question 5: In what circumstances should the Consumer Trustee prefer long duration storage over firming</p>	<p>As noted in responses to Q3 and Q4, the Trustee should have sufficient flexibility to implement changes in prices and technology over time and on an “as needs” basis (eg as coal fired generation exits the market) rather than implementing all changes at the start of the process. This will allow the Trustee to incorporate the most recent data which will advise the most</p>

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infrastructure to meet the reliability standard?	appropriate advice at the time when action is needed to maintain reliability. This approach should be applied widely but specifically to the introduction of more storage. As transport infrastructure has such a long technical life, great care should be applied when making decisions for augmenting transport infrastructure
Chapter 6 – Classification of 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?	<p>The MEU sees there are effectively two main classifications – the REZ infrastructure and augmentation of the shared network to export from the REZ (which has two subclassifications which are transmission and distribution, although both may be involved in certain circumstances). What is not yet clear is how the regulations will address each of these, making it difficult to provide more detailed input, noting that the issues paper identifies classifications of regulated and unregulated infrastructure related to REZs.</p> <p>The MEU also points out that in addition to infrastructure assets, there must be the ability to allow non-network solutions to be used rather than building new transport assets which have a technical life of 50-60 years when the technical life of the VRE is half or less of this. Building long lived assets when there is such a fast rate of change can lead to stranded or severely under-utilised assets in the future which tend to be left for consumers to pay for. So great care must be taken to ensure that the risk of such stranding or under-utilisation occurring is minimised – the MEU sees this being best achieved by implementing a staged approach.</p>
Question 7: What types of network infrastructure could be subject to economic regulation under Part 5 of the EII Act?	<p>As a general observation, the MEU supports a cost allocation process based on beneficiary pays. This then leads to how the initial costs will be incurred – by government, consumers and/or VRE (noting that as there are existing generators and new generators connecting to the network, this also needs to be assessed in apportioning costs). The MEU recognises that each might receive a benefit from the implementation of the new infrastructure, so there needs to be a mechanism established to apportion the benefits so that there is clarity on how each party will bear the costs.</p> <p>If initial investment is funded by entirely consumers, then there must be a clear mechanism as to how the costs incurred by consumers will be recovered from the VRE with minimal risk to consumers of assets being under-utilised or stranded</p>

Supporting information

If you have additional information you would like to provide to support your views, please provide it here.

If you have additional documents to provide to support your views, please email it with your submission.

On 30 April 2021, the MEU provided a response to the Central West Orana REZ access scheme Issues paper and advises that the responses to this Issues Paper should be read in context with the more detailed responses provided in its CWO REZ submission

Confidentiality and submission publication preferences

Please indicate your publication preferences.

Would you like all or part of your submission to be confidential? If so, please identify the part(s) in your submission	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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If your submission is published, only your name and organisation would be published. Would you like your submission to be anonymous and these personal details redacted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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