



NSW Electricity Infrastructure Roadmap

Network Infrastructure Projects Policy Paper (Part 5 of the EII Act)

Acknowledgement of Country

We acknowledge that today we meet on many Aboriginal lands.

We acknowledge the traditional custodians of the lands and we show our respect for elders past, present and emerging through thoughtful and collaborative approaches to our work.



Planning,
Industry &
Environment

Nikita Ridgeway

Agenda

- Presentation: Network Infrastructure Projects paper
- Questions and answers
- Interactive session



Purpose

- Provide overview of Roadmap and Network Infrastructure Projects paper
- Opportunity to clarify aspects of the policy paper, to support submissions
- Engage with stakeholders on key policy issues within the paper

Introduction

Alexandra Finley
*Executive Director, Commercial
Energy Corporation of NSW*

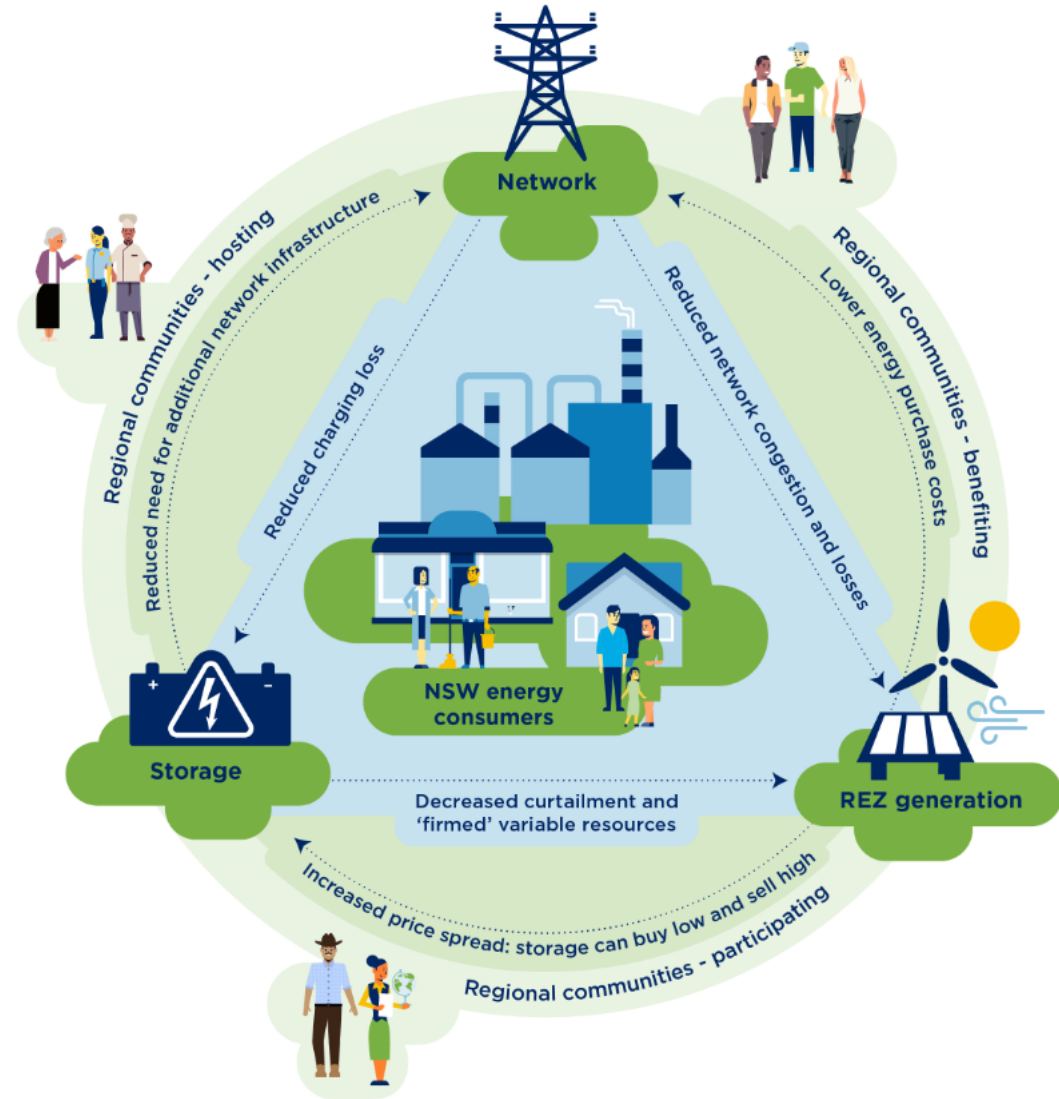


What is the Electricity Infrastructure Roadmap?

Coordinates investment in transmission, generation, storage and firming infrastructure to replace aging power stations.

Delivers 'whole-of-system' benefits:

- Renewable Energy Zones (REZ)
- **Transmission Development Scheme**
- Electricity Infrastructure Investment Safeguard
- Pumped Hydro Recoverable Grants Program
- Internationally competitive NSW industries

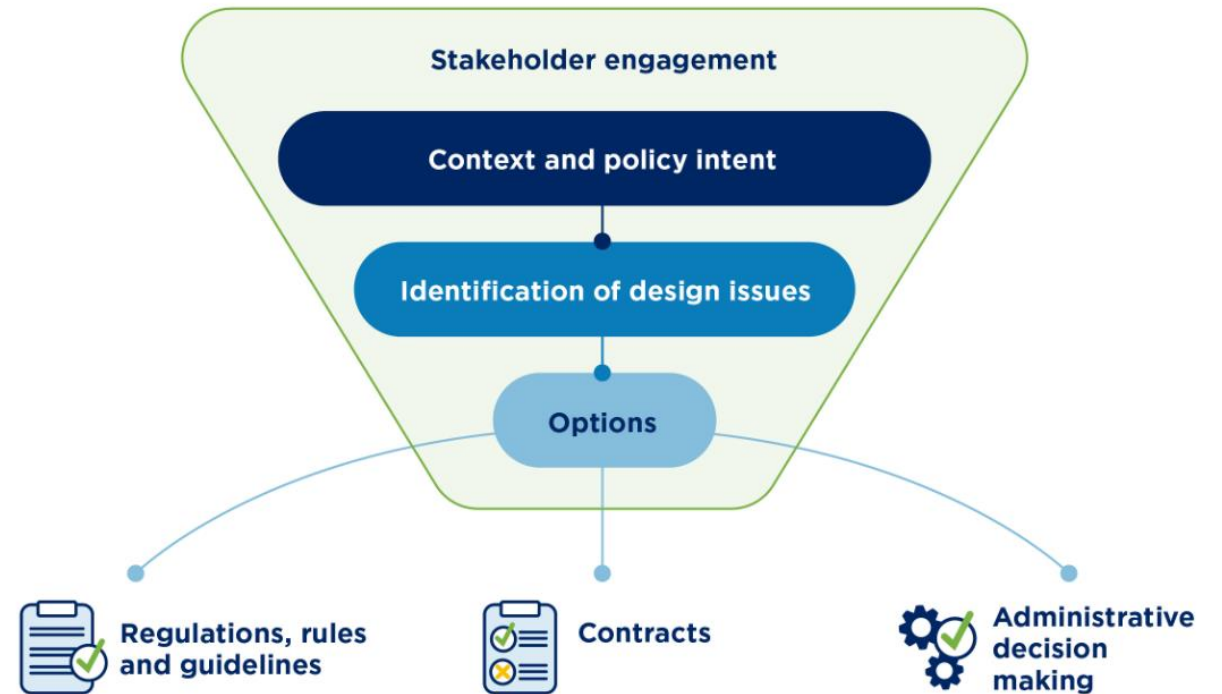


What are we consulting on?

Current consultation seeks feedback on substantive policy issues that could call for regulations under Parts of the *Electricity Infrastructure Investment Act 2020*.

Other policy papers in this consultation round focus on

- Infrastructure Safeguard (Part 6)
- Electricity Infrastructure Fund (Part 7)



Network infrastructure projects – Part 5 of the EII Act

The EII Act introduces a new framework to:

- identify, develop and deliver network infrastructure projects in NSW
- determine costs to be recovered from electricity consumers

Intent of the policy:

- Address ‘chicken and egg’ problem of new REZ network and generation investment
- Bring forward replacement generation and supporting REZ network investment to avoid price shocks
- Enable the faster development of important network projects

Content of the paper

- Guiding principles
- Classes of Network Infrastructure
- Identifying, Assessing and Authorising a Network Infrastructure Project
- Funding and financing preparatory activities and development works
- Transmission Efficiency Test and Regulator's Determination
- Reviewing a Revenue Determination



Network infrastructure projects overview

Melanie Koerner

General Manager, System Planning and REZ Authorisations

AEMO Services



Guiding principles for network infrastructure projects under EII Act

Timely
implementation

Maintain existing
roles in reliability and
system security

Consumer interests

Address key risks
and barriers to
network investment

Legislative
consistency

Facilitate appropriate
cost and risk sharing
arrangements

Regulatory efficiency

Process for selecting and funding REZ network infrastructure projects



Consultation question: Guiding principles

Question 1: Do you agree with the proposed guiding principles? Are there other principles which should be considered?

Classes of network infrastructure

Melanie Koerner

General Manager, System Planning and REZ Authorisations

AEMO Services



Proposed classes of network infrastructure

Class 1 - Transmission

- Transmission assets as defined in the National Electricity Rules

Class 2 – Distribution

- Distribution assets as defined in the National Electricity Rules

Class 3 - Network infrastructure

- Non-network options to meet transmission or distribution network needs other than by investment in assets described in classes 1 or 2

Class 4 – System security

- Plant or services providing system security support for a REZ

- Classes of network infrastructure will be consistent with definitions in the National Electricity Rules
- Regulations will clarify relationship between classes of infrastructure and the services they provide

Consultation question: classes of network infrastructure

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

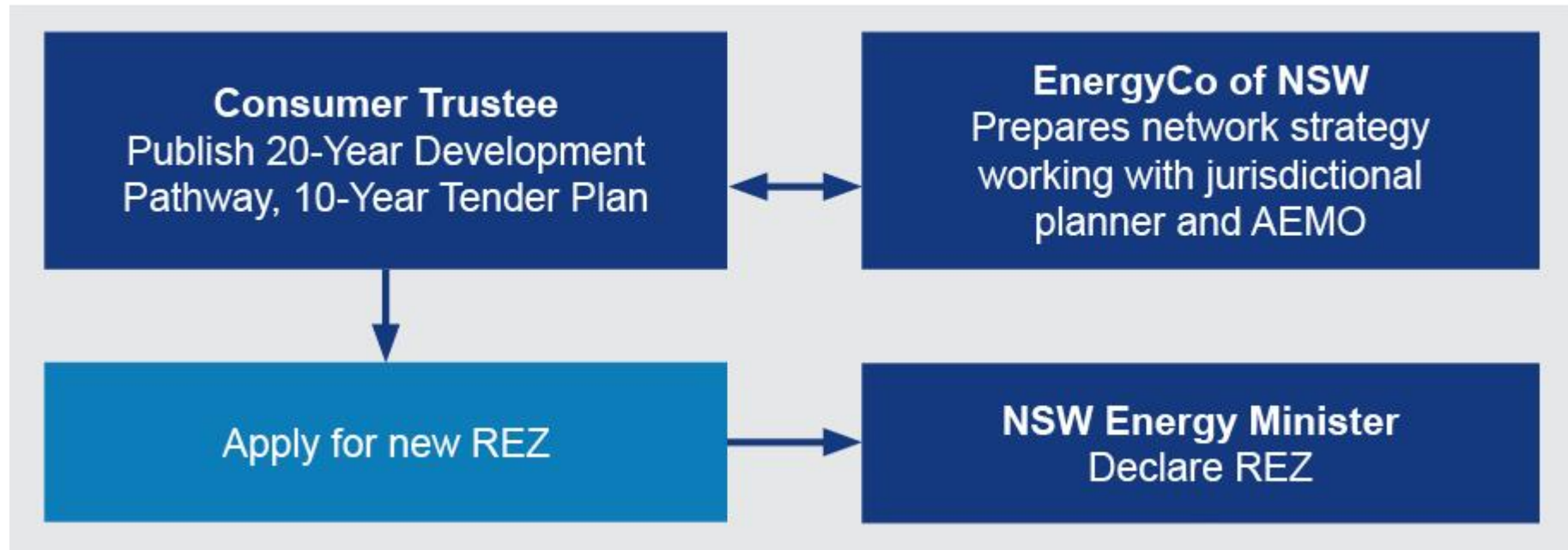
Question 3: Are there any risks to the effective delivery of a REZ if the necessary system strength services are not included as a class of network asset under the EII Act?

Identifying a network project and funding preparatory activities

Erin McSweeney
Principal Policy Officer, Energy Infrastructure Zones
DPIE



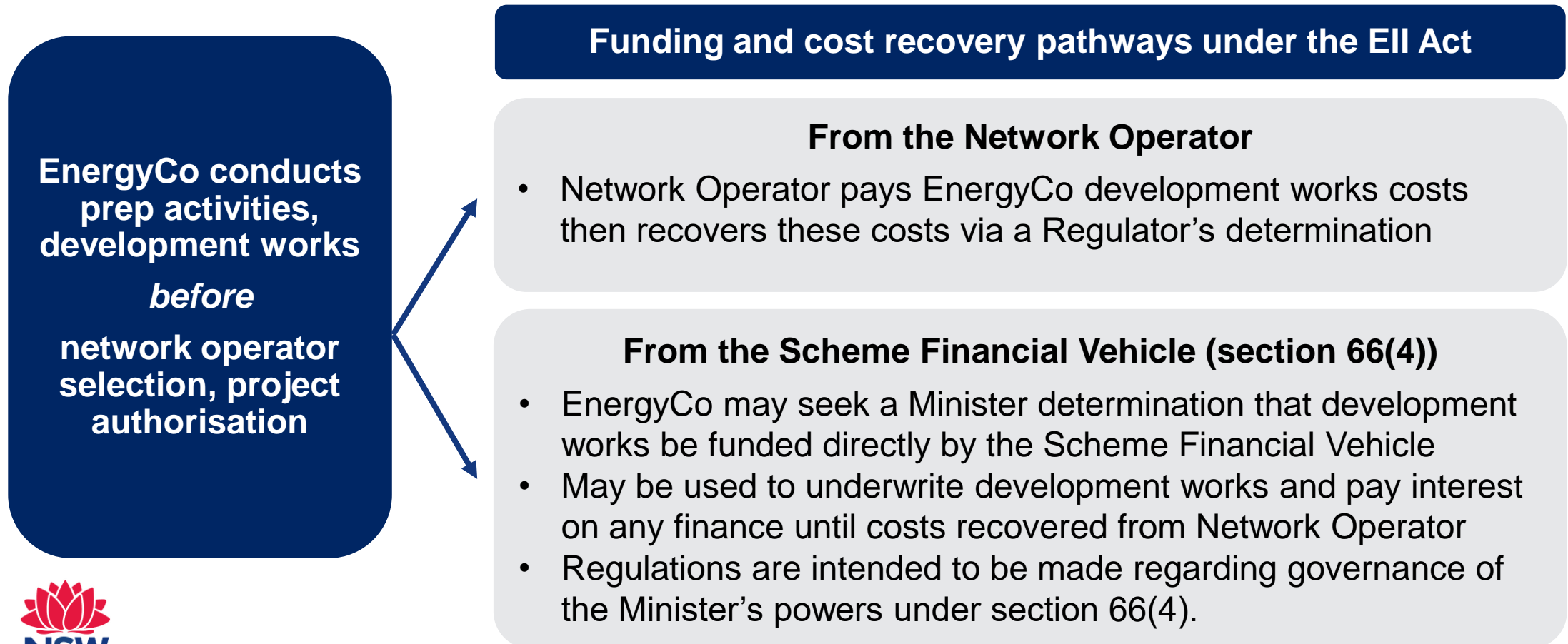
Identifying a network project and funding preparatory activities



*Mid blue boxes are optional steps that may not occur prior to Consumer Trustee authorisation for all REZ network infrastructure projects

Funding and cost recovery for development works

The Department intends that development works be undertaken and funded as follows:



Consultation question: Funding preparatory activities

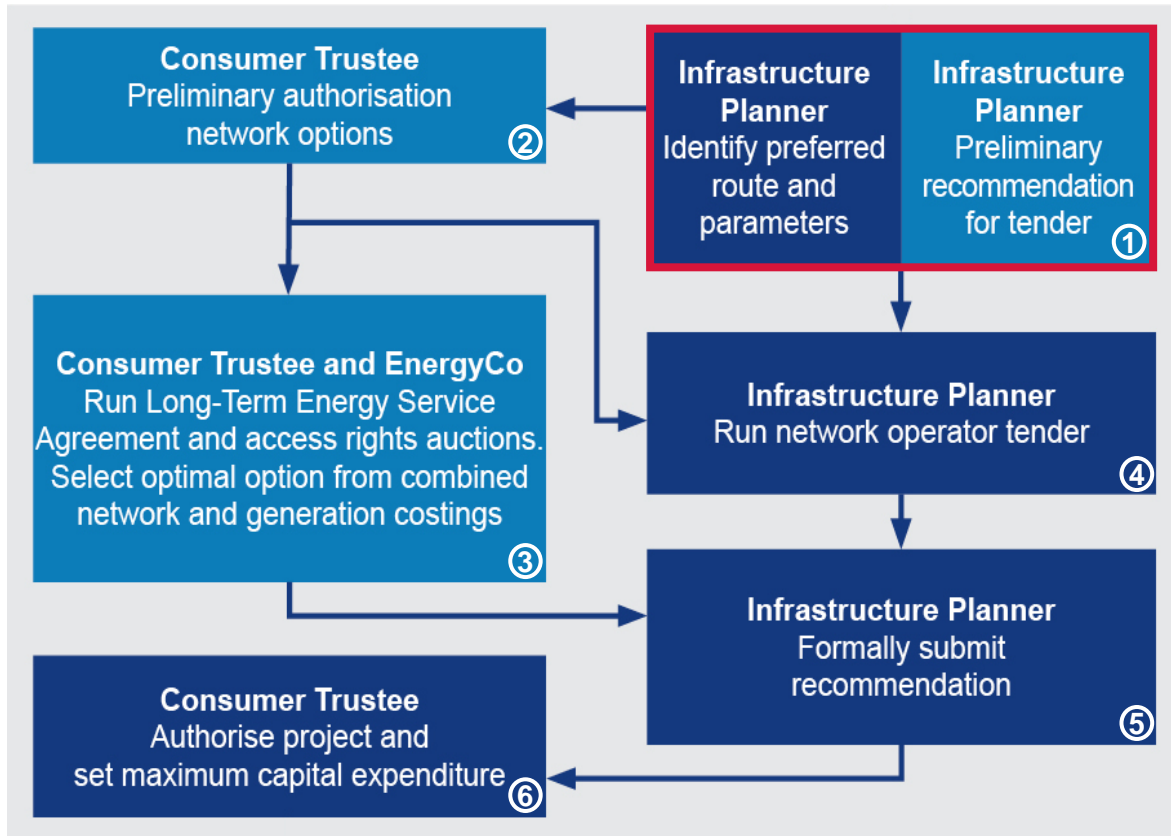
Question 4: Does the proposed method appropriately balance the transparency of costs recovered through the Scheme Financial Vehicle against the certainty needed to conduct preparatory activities and development works to deliver timely Renewable Energy Zones?

Infrastructure Planner recommendation and Consumer Trustee authorisation

Miyuru Ediriweera
Senior Regulatory Advisor
AEMO Services



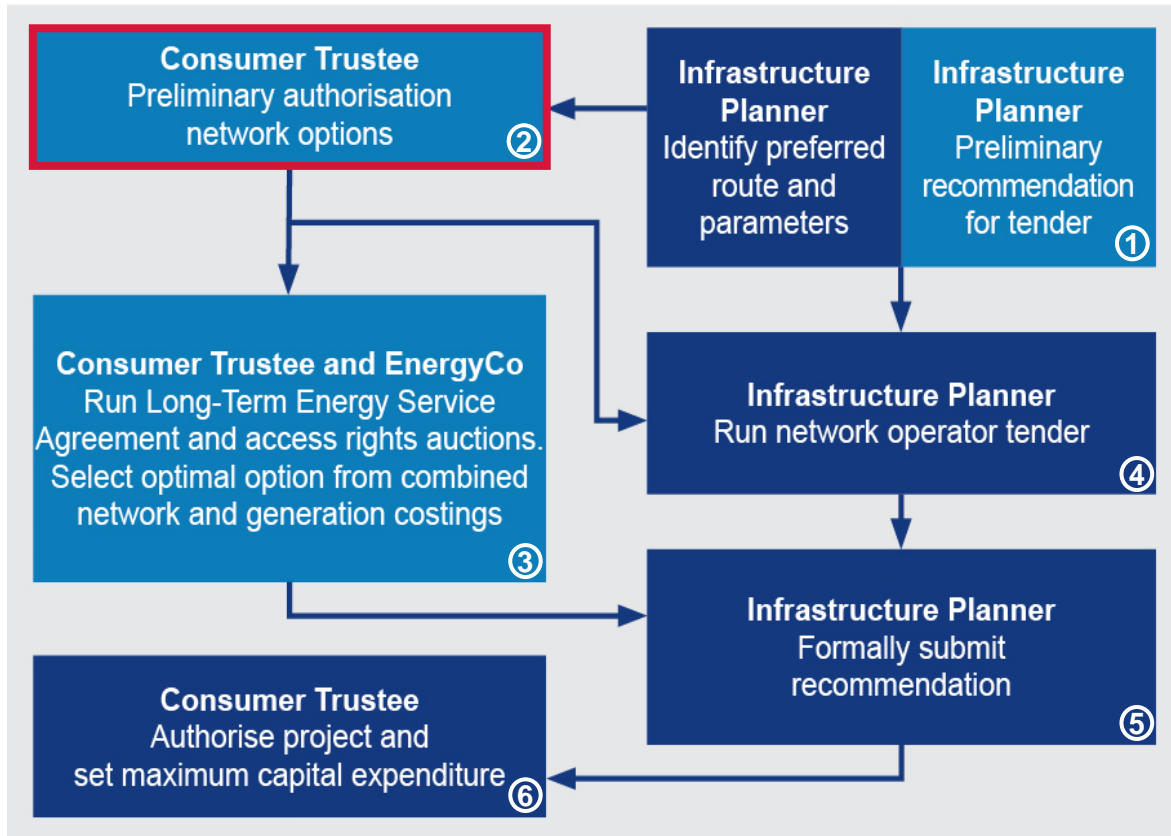
Identifying a network option



- The Infrastructure Planner will likely use a contestable process to identify the preferred Network Operator(s)
- Unless circumstances support a different approach e.g. if investment not readily separable from the existing system

*Mid blue boxes are optional steps that may not occur prior to Consumer Trustee authorisation for all REZ network infrastructure projects

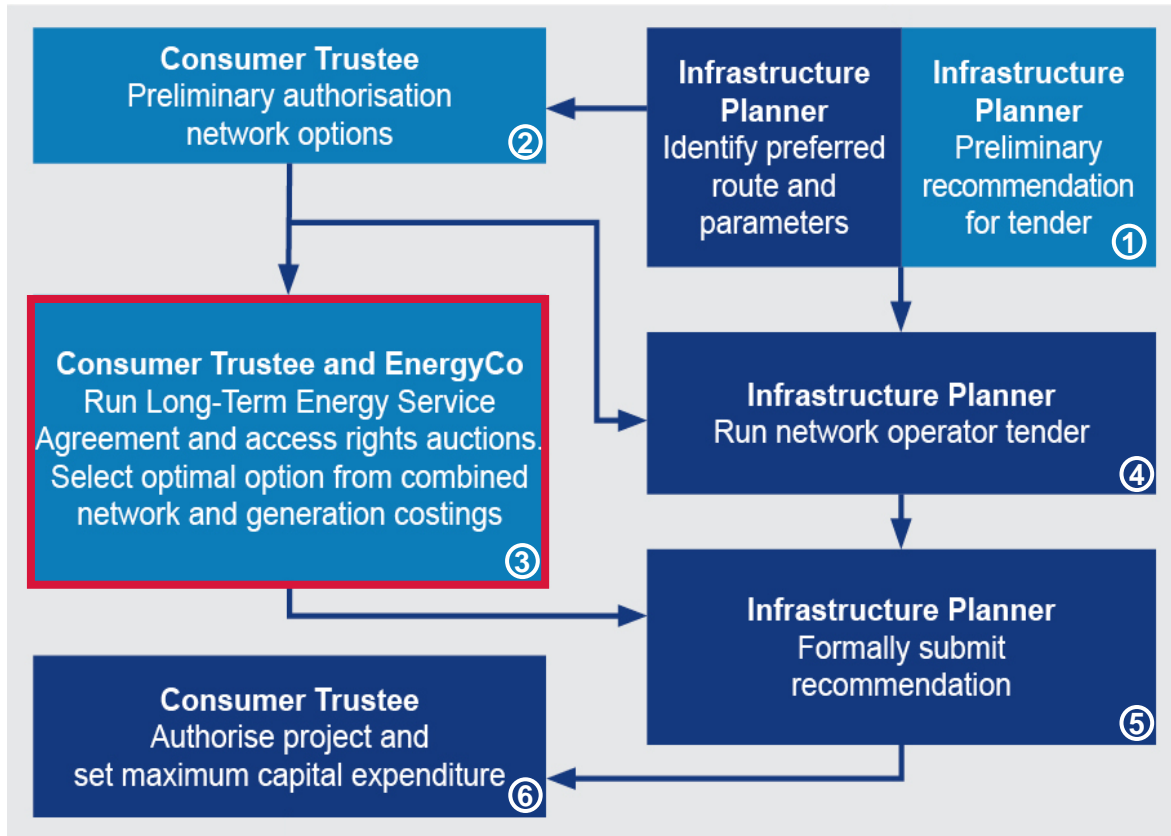
Preliminary authorisation of a network infrastructure project



- Preliminary authorisation will provide more certainty to bidders for Long-term Energy Service Agreements and access rights
- Technical specifications will vary only to the extent required to efficiently respond to REZ generation technology mixes
- Aspects likely to be proposed (where practical) include; line route, substation location, timing, staging, cost recovery, procurement approach

*Mid blue boxes are optional steps that may not occur prior to Consumer Trustee authorisation for all REZ network infrastructure projects

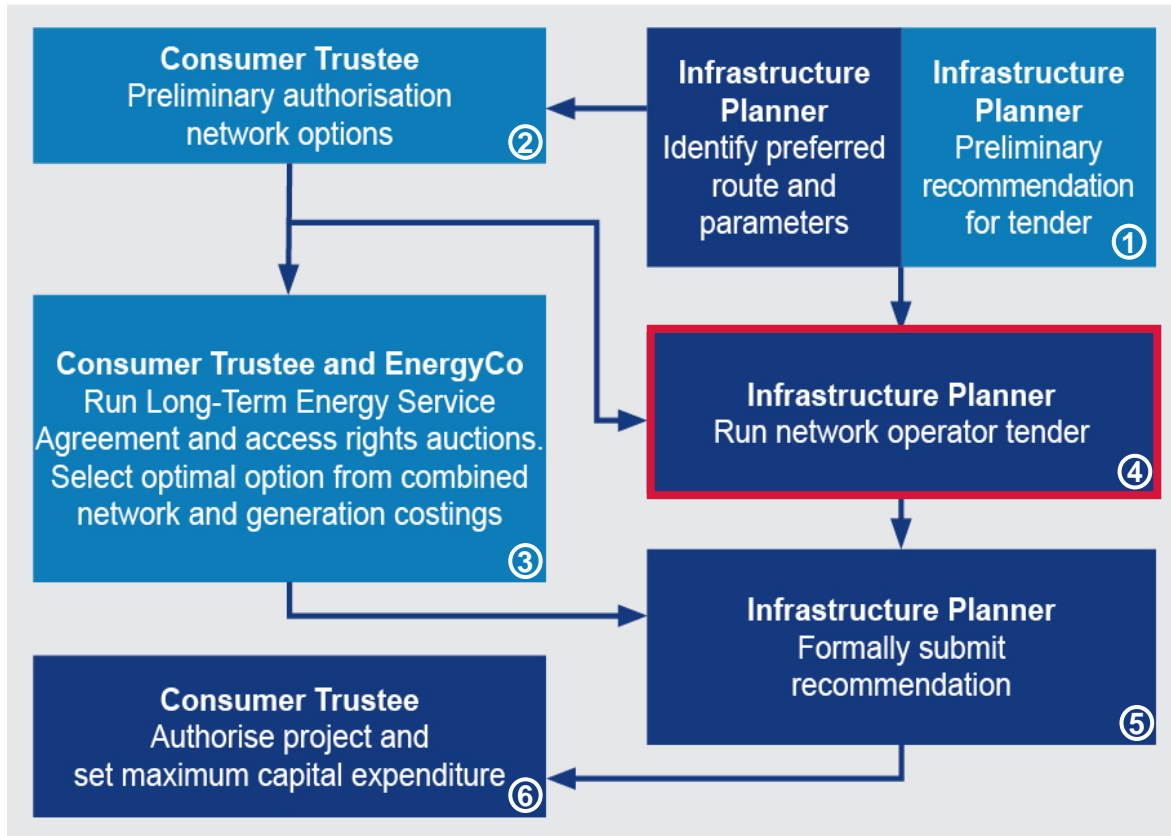
Running LTES Agreement and access rights auctions



- Tenders will be open to all projects in the NSW National Electricity Market region, not REZ specific
- Access rights in each tender will be limited to REZ with declared access schemes and available access rights
- LTES Agreement and access right tender outcomes will not always be linked to finalising the REZ network options

*Mid blue boxes are optional steps that may not occur prior to Consumer Trustee authorisation for all REZ network infrastructure projects

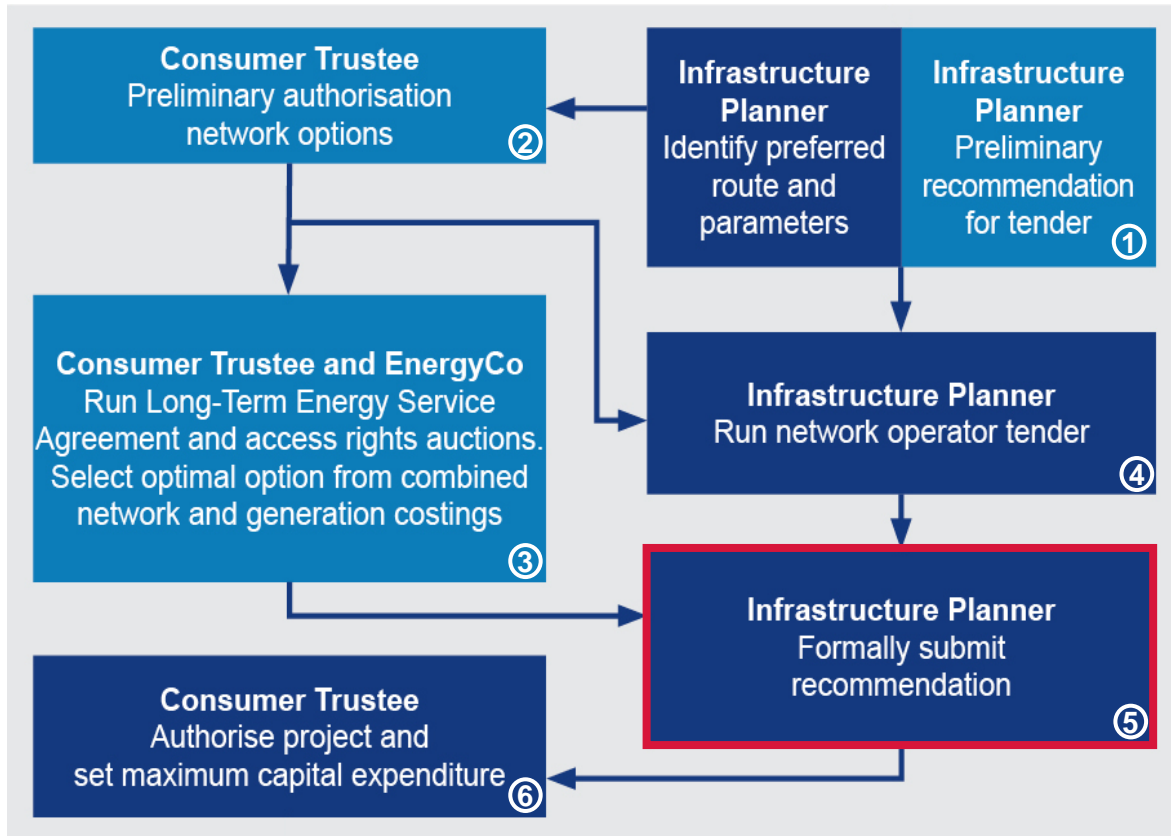
Running network operator tender



- If a competitive process is used, it is expected the successful bid will be binding on the Network Operator

*Mid blue boxes are optional steps that may not occur prior to Consumer Trustee authorisation for all REZ network infrastructure projects

Infrastructure Planner's recommendation

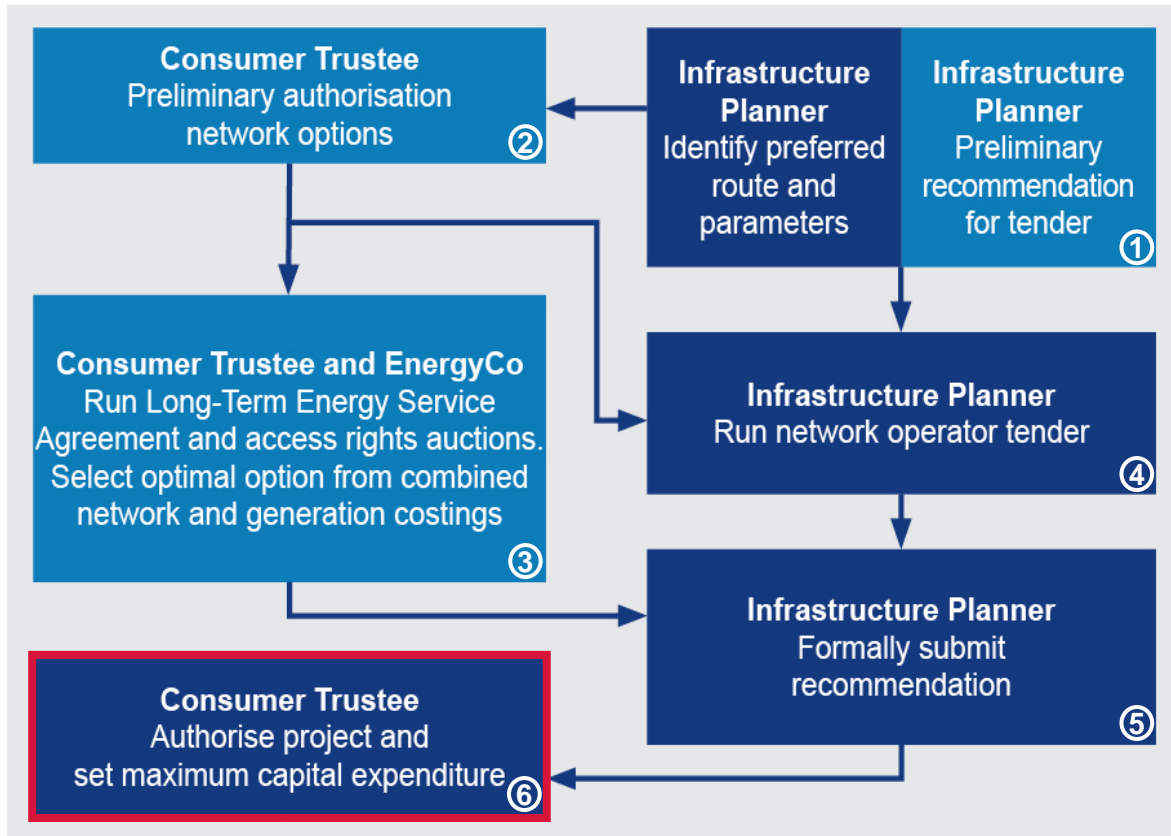


A recommendation is expected to include:

- technical parameters including REZ transfer capacity
- network configuration including study corridor and substation locations
- circuit and ancillary augmentations
- staging and sequencing of network investment (if any)
- latest date for commissioning

*Mid blue boxes are optional steps that may not occur prior to Consumer Trustee authorisation for all REZ network infrastructure projects

Consumer Trustee authorisation



In authorising a project, the Consumer Trustee will:

- consider the Infrastructure Planner's recommendation
- set a maximum capital costs of the project
- attach conditions to the authorisation
- base its decision on matters including the long-term financial interests of NSW electricity customers

*Mid blue boxes are optional steps that may not occur prior to Consumer Trustee authorisation for all REZ network infrastructure projects

Consumer Trustee – Authorisation conditions and max capital cost

Authorisation conditions

- The Consumer Trustee may attach conditions to an authorisation in respect of consultation with Aboriginal communities and matters under the Renewable Energy Sector Board Plan
- The Department is considering whether regulations should be made governing such conditions

Maximum capital costs

- Consumer Trustee calculates the amount for the prudent, efficient and reasonable capital cost of the project
- Based on how much the cost of the authorised network project would need to be for it to be better to stop that project and authorise another
- Detailed methodology will be confidential, as Consumer Trustee may only disclose to the Regulator

Consultation questions: Network infrastructure project authorisation

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

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

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 Renewable Energy Zone network infrastructure project under the EII Act?

Transmission Efficiency Test and the Regulator's determination

Erin McSweeney
Principal Policy Officer, Energy Infrastructure Zones
DPIE



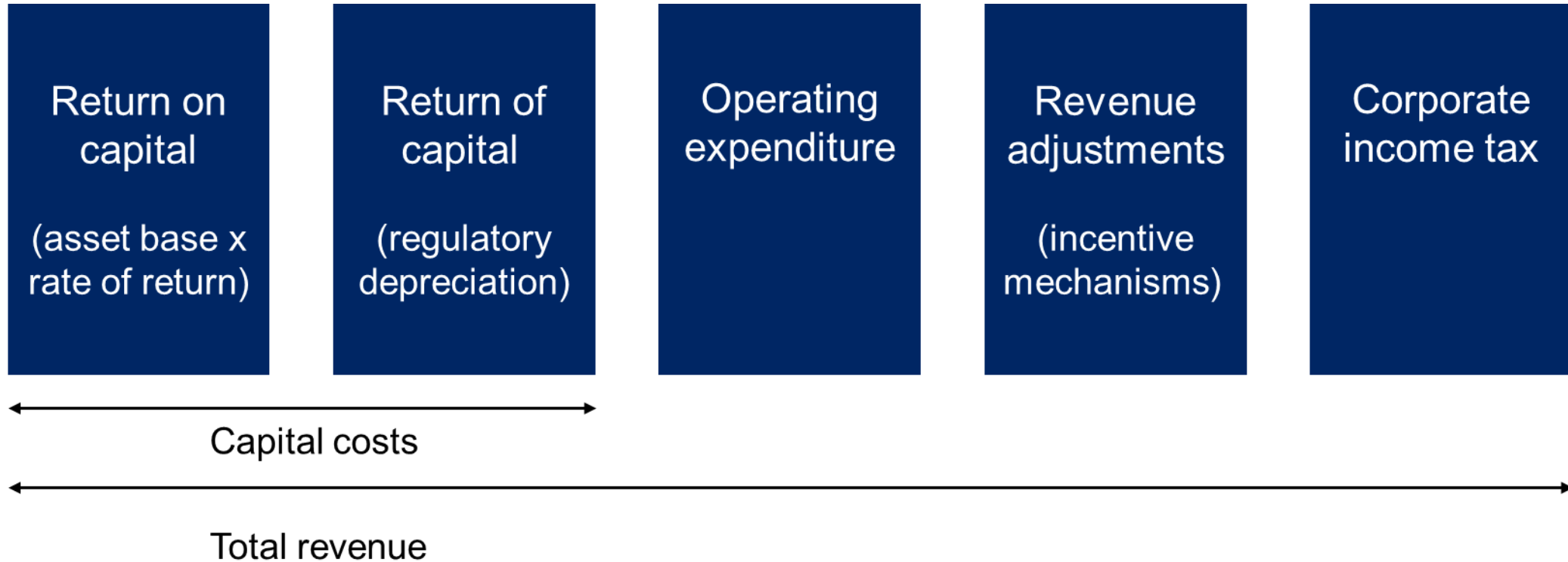
TET and the Regulator's determination: Regulatory principles

- It is intended that the Australian Energy Regulator will be appointed the regulator
- The Regulator will likely follow a similar approach to the national framework
- However, the EII Act has broader objectives than the National Electricity Law

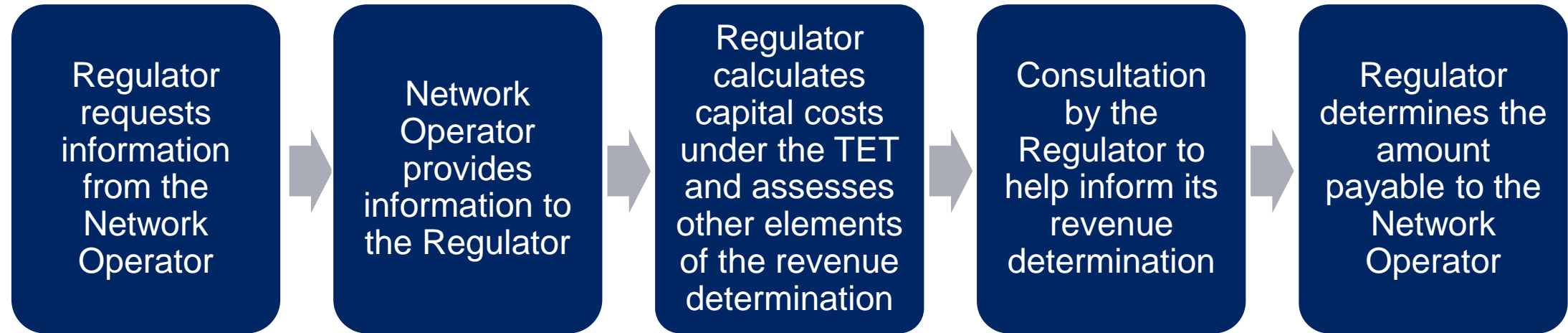
The Department is considering recommending regulations to clarify a number of issues:

- the application of the objects of the EII Act by the Regulator
- the effect of the competitive network tender process on the Regulator's role
- how confidential and sensitive information should be treated during the tender process

AER's approach to setting regulated revenue requirements



TET and the Regulator's determination: Proposed process



Regulations will clarify the scope, timing and process to be followed for the TET and revenue determinations

Guidelines, developed by the Regulator, will provide further detail on process and approach, including information required from the Network Operator and implications of contestability

TET and the Regulator's determination: Guidelines

Regulations may be made to require the Regulator's guidelines to include:

Timing and process for the Regulator's decision making process

Requirements on Network Operators to provide information

How the Regulator will consider information provided by a Network Operator

Process and approach for the Regulator to undertake a cost assessment

Application of TET and Revenue Determination if Network Operator selected contestably

How the Regulator will treat confidential or sensitive information

Consultation questions: TET and the Regulator's determinations

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

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?

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

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

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

Consultation questions: TET and the Regulator's determinations

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

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?

Reviewing a revenue determination

Erin McSweeney
Principal Policy Officer, Energy Infrastructure Zones
DPIE



Remaking or adjusting a revenue determination

Remaking

- Regulator is to remake a revenue determination every five years, or when directed to by the Consumer Trustee

Regulations may limit circumstances for Consumer Trustee direction to remake outside of five-yearly cycle to:

- Alignment with existing review cycle under the NEM
- Alignment of multiple projects by same operator

Adjusting

- Regulator may review and remake a revenue determination within five year period

Regulations may clarify reasons for adjustment (consistent with national approach):

- Material error
- Cost pass-through event,
- Contingent project,
- Other (e.g. Service Target Incentive and Penalty Scheme)

Asset transition and transfer

Asset transition

- Regulations may prescribe circumstances when the asset base under the EII Act can be transferred to the regulatory asset base under the NER

The Network Operator must agree with the transition

The transition must be in the interest of NSW electricity consumers

Asset transfer

- The EII Act provides for the transfer of network infrastructure by a Network Operator to another person
- This enables revenue allowances for network infrastructure projects to be transferred to new owners

The Department may recommend regulations to clarify the circumstances under which assets can be transferred to a new owner

Consultation questions: Reviewing a revenue determination

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

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

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

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

Q&A



Interactive session



Next steps

**Submissions close Friday 12 November
2021**

To make a submission, go to:
[energy.nsw.gov.au/electricity-
infrastructure-roadmap](https://energy.nsw.gov.au/electricity-infrastructure-roadmap)

Any questions?

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Thank you

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Department of Planning, Industry and Environment