

Infrastructure Safeguard Policy Paper: Consultation submission form

This form is to be used to provide feedback on a series of questions included in the [Infrastructure Safeguard Policy Paper](#) to help inform the development of the regulations. The Infrastructure Safeguard Policy Paper considers detailed policy options to support Part 6 of the *Electricity Infrastructure Investment Act 2020* (NSW) (EII Act).

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 policy Paper.

Please make your submission by **5pm on Wednesday 27 October** to Electricity.Roadmap@dpie.nsw.gov.au.

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.

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

	<input type="checkbox"/> Network infrastructure provider <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

Questions related to the planning for private sector infrastructure investment

Question 1: What requirements for stakeholder consultation on the Infrastructure Investment Objectives Report should be implemented to ensure the Consumer Trustee's report is informed by the best available information?

The consultation paper notes that the Infrastructure Investment Objectives (IIO) Report is analogous to AEMO's Integrated System Plan and Energy Statement of Opportunities – the NEM's key planning publications- except with key differences in objective and scope. ATCO understand that these differences largely relate to the Consumer Trustee's obligation to solve for least cost options specifically for NSW consumers, and the ability to observe criteria broader than the reliability standard and National Electricity Objective when doing so.

It is important to avoid too many 'sources of truth' in planning network and resource adequacy capability. If uncoordinated, these may make the investing environment more difficult for new assets, not easier. ATCO notes the recommendations that came from the ESB's Post 2025 project on information provision made a similar observation on too many 'sources of truth'.

ATCO supports the certainty that the NSW Electricity Roadmap provides developers and participants investing in long-term assets. However, investors and developers of generation, storage and firming assets are likely to refer to both AEMO's ISP and ESOO documents as well as the IIO Report's 20 Year Development Pathway and 10 Year Tender Plan to inform their decision-making

Differences between the findings of these key planning documents will need to be well understood and tested with stakeholders. As such, it would be prudent for the Consumer Trustee to consult explicitly with stakeholders – preferably through a publishing requirement - when forecasts for least-cost

	<p>development paths and resource adequacy needs identified in the ISP ESOO processes materially differ from those that are identified by the 20 Year Development Pathway and 10 Year Tender Plan. While discrepancies between NEM processes and NSW processes are unlikely, including a reporting requirement to explain differences if they emerge would better aid participants to accurately assess the viability of their projects.</p> <p>ATCO supports the intent expressed in the Consultation Paper for work developed through the IIO report to feed into Inputs, Assumptions and Scenarios work undertaken by AEMO, which will help mitigate any risk of key planning reports reaching materially different outcomes.</p>
<p>Question 2: How should changes in technology, consumer behaviours, customer investment in generation (e.g. distributed energy resources) and demand uncertainty be treated to determine the requirements for large-scale infrastructure investment?</p>	<p>Given these factors will change over time, clear government policy on the treatment of these factor - supported by best practice forecasting approaches for technology and behaviour uptake - will provide market certainty to allow investment decisions to be made on large scale infrastructure. Intent to consult widely and align methodologies and collaborate closely with existing practices – such as those implemented to generate the ISP and ESOO forecasts – are supported and will ensure efficacy of investment signals. Intent to also establish Consumer Panels will ensure these processes are best kept current.</p>
<p>Question 3: What assumptions, scenarios or approaches could be prescribed by regulation to encourage an independent Consumer Trustee to make appropriate decisions regarding the treatment of future risks and uncertainties in planning for infrastructure investment?</p>	<p>As discussed in question two, ATCO support best practice forecasting approaches, which would be developed in conjunction with existing modelling and scenario analysis processes trusted by the market, such as AEMO's ISP and ESOO.</p> <p>If assumptions, scenarios or approaches were to be prescribed for the Consumer Trustee to reference, ATCO recommend scenarios that adopt very high grid-scale renewable penetration – such as the ISP step change scenario – be adopted as a floor for the Consumer Trustee's functions.</p> <p>It is important to model high renewable penetrations as part of the 20-year development pathway and to issue LTES agreements and access rights accordingly</p>

	<p>through the 10 Year Tender Plan to the mix of resources necessary to support these penetrations. This approach is in the best interests of both participants looking for investment certainty as well as in the best interests of NSW consumers.</p> <p>Approaches that model a slower transition, or that underestimate the early retirement of the NSW thermal fleet, risk delaying investment in the firming resources the state will need once these units eventually retire. Further, LTESA tendering that does not reflect anticipated high renewable penetrations and early thermal exit may induce untimely entry and exit of plant, creating periods of oversupply which risk operators exercising LTESA options at the cost of NSW consumers.</p>
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Questions related to policy considerations for LTES Agreements

<p>Question 4: What role could demand response play as ‘firming infrastructure’ under the EII Act and are any special considerations required in LTES Agreement design?</p>	<p>N/A</p>
<p>Question 5: Other than those prescribed in the EII Act, are further LTES Agreement design principles required to support spot, contract and system service market operation and greater consistency across jurisdictional schemes and, more broadly, innovation over time?</p>	<p>ATCO support the high level principles proposed in the EII Act, but agree with the position in the consultation paper that there is an opportunity to be more prescriptive in relation to system security service capability.</p> <p>Foremost, ATCO support the distinct three LTESA categories (renewable energy generation, long duration storage, firming). This distinction reflects a need to incentivise different power system capabilities and to diversify the asset base in New South Wales, but also that financing the assets and technologies that are best suited to meet these capabilities face different, distinct barriers to entry and financing hurdles. For example, ATCO agrees with the Government’s position that New South Wales will require asset’s with at least 8 hours of storage capability to service capacity requirements after thermal assets retire. Assets that can provide this capability – such as pumped hydro projects - are likely to be large and capital intensive which will recover costs</p>

over longer-time frames, but will provide unique capabilities such as physical inertia and fuel diversification which other assets may not. These projects should be facilitated with arrangements that are distinct from alternative technological solutions that may provide equivalent energy output but different technical capabilities, such as aggregations of smaller battery storage assets that may be configured or operated to provide 8+ hours of storage.

It is important for LTESA operators to remain exposed to the incentives and frameworks existing in the wholesale market and reliability and security frameworks of the NER as much as possible. ATCO support the proposed enumeration of additional principles that look to preserve spot exposure for LTESA operators – therefore incentivising operation of projects that align with the needs of the system – and principles that seek to support consistency with the national frameworks, particularly in relation to system and ancillary services.

As foreshadowed in the ESB's Post 2025 project, the NEM will continue to reform and new market services will evolve. It will be important for operators awarded LTESAs in advance of these markets being implemented to remain incentivised to participate them. This will either encourage the development of projects now that have broad capability to participate in a variety of existing and emerging markets, or it will encourage projects to adapt over time to better meet the needs of the REZ in which they are located and the system as a whole. This can be done by considering wider market benefits such as ancillary services and system inertia through units being capable of operating as synchronous condensers, as well as projects that provide additional liquidity to financial markets which support competition and lower electricity prices.

Ensuring LTESA design principles recognise projects with a broader system capability – particularly those awarded for firming and long duration storage assets - will help support the procurement of the right mix of resources best suited to meet the needs of NSW consumers.

	<p>ATCO reiterate details submitted to the Part 3 LTESA consultation paper in relation to principle design for long duration LTESAs, namely to:</p> <ul style="list-style-type: none"> - Adopt the Annuity Payment Option model, which provides the greatest flexibility to incentivise new entrants to the National Electricity Market and operate in conjunction with potential offtake agreements - Modify terms for the Annuity Payment Option LTESA design to better balance risks between the Scheme Financial Vehicle and project proponents to encourage new investment, such as a reduced call option period and benefit sharing repayment scale
Questions related to tendering for and recommending LTES Agreements and Access Rights	
<p>Question 6: What do you think is important to include in a regulation to define 'outstanding merit'?</p>	<p>ATCO supports the intent to allow non-REZ projects to be recommended for LTESAs if they demonstrate outstanding merit. This recognises the regional benefits borne from creating localised economic opportunities for regional communities within REZ boundaries, but acknowledges that these same benefits can be provided or amplified by projects that position themselves outside of a REZ for other geographic, economic or community-orientated reasons.</p> <p>ATCO is developing the 325MW Central West Pumped Hydro project located in Yetholme near Bathurst, on the edge of the Central West Orana Renewable Energy Zone. This project will support increased utilisation of the REZ by acting as both a source of demand when the REZ has high generation and a source of supply when Variable Renewable Energy is low, as well as through the provision of system security services through non-network solutions.</p> <p>Different LTESA types (renewable generation, storage, firming) reflect different system capabilities and types of plant. Outside of some universal principles, assessment approaches will need to be bespoke to each category.</p>

ATCO understands that the combination of tenders for LTES Agreements and REZ access rights relate largely to LTESAs awarded for renewable energy generation, rather than those awarded to long duration storage and firming, given the geographic location of particularly long duration storage assets are likely to fall outside of nominated Renewable Energy Zones.

However, if the current intent is for the 'outstanding merit' criteria to be applied uniformly to all LTESA types, ATCO considers it important for that principles either:

1. minimise prescription to provide policy makers with room for discretion to assess each LTESA type appropriately, or
2. simply define 'outstanding merit' differently between the LTESA categories, which ATCO recommends.

For example, for energy-related criteria, long duration storage LTESA candidates located outside of a REZ could be assessed on the ability of the project to:

- 1) Optimise transfer capabilities from Renewable Energy Zones and make better use of existing transmission infrastructure by ameliorating constraints and congestion
- 2) Provide stabilisation and system service capabilities (inertia, system strength) to ameliorate the need for additional network infrastructure

ATCO recommend additional criteria be added to support the intent of the EII Act to create employment and support local industry in New South Wales. These include:

- 1) A requirement to demonstrate an intent for long term community engagement and the procurement of local staff
- 2) Require an intent for long term asset ownership
- 3) Construction work to have minimal environmental impact, such as requiring limited tunnelling and to look to underground cables where possible to minimise disruption to existing land use.

	<p>Regarding renewable energy duration LTESA candidates located outside of a REZ, 'outstanding merit' should consider the following:</p> <ol style="list-style-type: none"> 1) The competitiveness of their tender bid price, where lower tender bid prices shift risk away from NSW consumers 2) The proximity of new projects to existing high voltage transmission infrastructure, which mitigates the likelihood of substantial marginal loss factors, congestion or curtailment risk 3) An intent to co-locate with storage of other energy shifting capabilities to optimise transmission capability and firming profiles 4) Economic engagement of the surrounding community and job creation.
Question 7: Are there further matters that should be considered when setting and using REZ access fees?	N/A
Questions related to Infrastructure Safeguard Governance and Controls	
Question 8: How should stakeholders be engaged in key processes so as to ensure the ongoing success of the Infrastructure Safeguard according to the objectives of the EII Act?	ATCO would like to see the ongoing engagement of key stakeholders as design principles, tender processes and governance arrangements develop. Opportunities for proactive engagement through technical working groups are preferable to ensure stakeholders can meaningfully engage with policy-makers as market dynamics evolve and project milestones are met.
Question 9: Where could the regulations provide guidance to the Consumer Trustee in relation to the Risk Management Framework, to increase transparency and confidence for stakeholders?	N/A
Question 10: When should the Scheme Financial Vehicle enter hedging contracts?	N/A
Question 11: What capabilities will the Consumer Trustee or Financial Trustee need to manage net exposures under hedging contracts and LTES Agreements?	N/A

Question 12: What parameters, principles and structures should be regulated to limit net basis risk exposures for consumers?

N/A

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.

N/A

Confidentiality and submission publication preferences

Please indicate your publication preferences (select one option only).

☒ **Option 1: Non-confidential submission**

Your submission will be published on the Department's website. Your personal contact information (such as phone number and email address) will be redacted.

☐ **Option 2: Confidential submission**

Your submission will **not** be published on the Department's website. The name of your organisation will be published.

Some confidential submissions **may** be shared with the following entities:

- the Australian Energy Market Operator, Energy Security Board, Australian Energy Market Commission, Australian Energy Regulator, Independent Pricing and Regulatory Tribunal or the Australian Competition and Consumer Commission
- TransGrid, the Clean Energy Finance Corporation or the Australian Renewable Energy Agency or distribution network service providers
- the entities appointed or to be appointed under the EII Act (Consumer Trustee, Financial Trustee, Scheme Financial Vehicle and Regulator).

☐ **Option 3: Anonymous and confidential submission**

Your submission will **not** be published on the Department's website. The name of your organisation will **not** be published.

Your submission will **not** be shared with the with the following entities:

- the Australian Energy Market Operator, Energy Security Board, Australian Energy Market Commission, Australian Energy Regulator, Independent Pricing and Regulatory Tribunal or the Australian Competition and Consumer Commission
- TransGrid, the Clean Energy Finance Corporation or the Australian Renewable Energy Agency or distribution network service providers

- the entities appointed or to be appointed under the EII Act (Consumer Trustee, Financial Trustee, Scheme Financial Vehicle and Regulator).

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- other parties where authorised or required by law to be disclosed.

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