

|Section 1. Purpose of this paper

This supplementary position paper is an addendum to the *South West Renewable Energy Zone Access Scheme Position Paper March 2023* ([March paper](#)) and should be read in conjunction with that paper and the *Draft Renewable Energy Zone (South West) Access Scheme Order 2023* (draft access scheme declaration). The focus of this supplementary position paper is to outline the key policy positions that have been refined since the public exhibition of the draft access scheme declaration earlier in 2023, in response to stakeholder feedback.

The original draft access scheme declaration and position paper were publicly exhibited from 3 March to 15 May 2023. The NSW Government has considered stakeholder submissions and made targeted amendments to the draft access scheme declaration to reflect the feedback. Additional refinements have been made to the draft access scheme declaration to improve its utility.

The refined draft access scheme declaration was developed in accordance with the [Ministerial Guidelines for Access Scheme Declarations](#) and published by the Minister in accordance with section 25 of the *Electricity Infrastructure Investment Act 2020* (EII Act). A final declaration (should the Minister decide to make it) will be the primary statutory instrument for delivering the South West REZ access scheme.

[Section 2](#) of this paper provides a summary of the feedback that was received during exhibition of the draft access scheme declaration from March to May 2023. **Table 1** outlines key issues raised during the consultation period and what amendments have been made to the draft access scheme declaration to address them. [Section 3](#) provides a detailed explanation of the key policy positions that have been amended since the public exhibition of the draft access scheme declaration. [Section 4](#) sets out the unchanged design features of the draft access scheme declaration to provide a holistic overview of all the design features of the access scheme. Finally, [Section 5](#) explains the consultation timeline and how stakeholders may make submissions relating to the refined draft access scheme declaration.

Section 2. Stakeholder feedback and scheme refinement

Stakeholder feedback from March 2023 exhibition of draft access scheme

A total of 26 submissions were received from a range of stakeholders, which included; 19 developers, one network operator, one government owned entity, one peak body, two community groups and two individuals.

Overall, feedback indicated that a majority of stakeholders were in favour of an access scheme in the South West REZ, with 15 stakeholders in support of an access scheme and 7 unresponsive (the remaining four stakeholders were either neutral on the issue or did not address it).

Feedback indicated support for certain access scheme design components, as well as features that raised concerns. The key issues, and how they have been addressed, are detailed in Table 1.

Issue	Amendment to address feedback
The Target Transmission Curtailment Level (TTCL) of 0.54% was set too low.	Increasing the TTCL from 0.54% to 3.86% and the initial aggregate maximum capacity cap for 2,500 MW transfer capacity to 3,980 MW, following revised modelling. Shortening the term of the access scheme to mitigate any sensitivity associated with the new TTCL.
The offering of an initial aggregated maximum capacity (based on 800 MW of transfer capacity) being too small for the initial tender.	The access scheme will assume a transfer capacity of 2,500 MW, increasing the initial aggregated maximum capacity for the initial tender. Implementing a target network element curtailment level for the network elements from the Buronga substation up to but excluding the Dinawan substation (Buronga network elements).
Concerns around how an access scheme may overcomplicate and potentially delay developers from efficiently connecting their generation projects.	Clarifying the policy position that the access right offering will be proceeding without hub-to-project or centralised system strength assets. Proceeding with an unmodified National Electricity Rules (NER) connection process for the initial allocation of access rights.
Requests to amend the REZ geographical boundary.	Applying a two-limb test to allow projects that are located partly outside the REZ boundary to be eligible for access rights.
Initial term forecast to begin before access right holders are ready.	Amending the definition of initial term to end 15 years after the date of electrification of Dinawan substation.
Access rights network does not clearly capture updated VNI West proposed study corridor and development of potential future substations.	Expanding the definition of the access rights network under Schedule 1 to include network connecting to Dinawan substation and any future substations inside the geographic boundary of the REZ.

Table 1. Summary of issues and amendments to draft access scheme declaration

Section 3. Policy positions – key amendments to the draft access scheme declaration

Increasing the target transmission curtailment level (TTCL) and aggregate maximum capacity cap

The revised draft access scheme declaration proposes a TTCL of 3.86%, and corresponding initial aggregate maximum capacity cap of 3,980 MW for 2,500 MW transfer capacity. Both figures are an increase from the initially proposed TTCL of 0.54% and aggregate maximum capacity cap of 1,220 MW for 800 MW transfer capacity.

Rationale

Feedback from the initial draft access scheme declaration consultation indicated that the proposed TTCL had been set lower than expected, and that the wind capacity factor used to develop the TTCL did not reflect the quality of the wind resource in the South West REZ.

EnergyCo has reviewed the TTCL, and the assumptions and data used to represent the wind resource in the South West REZ in the initial modelling. EnergyCo requested wind generation profiles from developers in the South West REZ. Ten proponents submitted wind profiles, with seven providing wind traces that contained measured data on site. EnergyCo selected those profiles that were based on data recorded on site and created an average capacity profile for the REZ.

The TTCL was remodelled using the project-based capacity profile instead of the Australian Energy Market Operator's (AEMO) wind profile in its 2022 Integrated System Plan. The project-based average capacity wind profile represented a better resource than indicated by the AEMO traces, resulting in the model planting wind generation much more favourably in the South West REZ compared to the previous modelling, and a higher TTCL of 3.86%. This higher TTCL is associated with a higher aggregated maximum capacity cap of 3,980 MW for 2,500 MW transfer capacity. This TTCL is in line with developer expectations provided in consultation feedback, and the higher aggregate maximum capacity cap will allow the award of more access rights and higher network utilisation.

Additional transfer capacity in initial offering of access rights

The draft access scheme declaration now includes an initial transfer capacity of 2,500 MW instead of 800 MW as proposed in the earlier position paper. This additional transfer capacity includes capacity from Project Energy Connect (PEC) as well as HumeLink and the VNI West upgrade which have completed the Regulatory Investment Test – Transmission (RIT-T) process. Transgrid anticipates delivery of this infrastructure in 2026 for PEC and HumeLink, and 2028 for VNI West (according to the Transgrid Transmission Annual Planning Report 2023). This proposal brings forward the awarding of generation capacity, allowing approximately 3,980 MW of projects to apply for access rights.

Rationale

Providing access to the HumeLink and VNI West upgrade transfer capacity earlier allows more projects to have certainty of access to the REZ network infrastructure and progress their development (while taking increased curtailment risk until actual transmission delivery). Successful proponents with access rights will be taking the risk of any delays to these transmission projects, however the significant generator competition in the region and the value of limiting the projects that can connect to transmission infrastructure through the access scheme should mitigate this risk for generators.

Specifying a network element and target network element curtailment level (TNECL)

The draft access scheme declaration exhibited in March 2023 provided EnergyCo (as the Infrastructure Planner) the ability to set a target network element curtailment level for a specified network element where necessary.

The refined draft access scheme declaration has defined the Buronga network elements as network elements from the Buronga substation up to but excluding the Dinawan substation. The transfer capacity for the Buronga network elements is 800 MW. A target network element curtailment level (TNECL) of 3.86% will be applied to the Buronga network elements, which will result in an initial network element capacity cap of 1,270 MW.

Applying the TNECL will not affect the aggregate maximum capacity cap of the REZ.

Rationale

A TNECL is being applied to the South West REZ due to the limited transfer capacity of the Buronga network elements. This will prevent potential over-subscription and higher curtailment for projects connecting to this part of the access network by capping the amount of generation that can be awarded access to that network element in the initial tender.

Simplified access right offering

The refined draft access scheme declaration will simplify the access right value proposition as it does not include central delivery of hub to project network infrastructure, centralised system strength or a specific REZ connection process. This will fast track preparations for an access right tender in the first half of 2024.

Rationale

This approach will fast track preparations for an access scheme declaration which will mitigate the risk of grandfathering projects that have already reached the offer to connect stage for the access scheme network infrastructure. Additionally, system strength will be delivered under the National Electricity Rules by Transgrid who is also the Transmission Network Service Provider for the access rights network. It is appropriate for the access scheme to minimise interventions, particularly relating to centralised systems strength or hub to project infrastructure, in the context of the SW REZ where the network infrastructure is not being built under the EII Act and is already being delivered by Transgrid. Instead, fast tracking the access scheme will maximise the value proposition for generators by:

- enabling access right holders to energise as early as possible, and
- limiting the number of generators that can connect to the networks.

Unmodified National Electricity Rules (NER) connection process for the initial allocation of access rights

Under an access scheme, REZ connections processes may exist which enables functions to develop REZ Access Standards, coordinate connection applications, deliver centrally provided system strength, administer and undertake power system modelling in parallel, and manage the physical aspects of connections. This is designed to improve upon the connection process under the NER (including the administrative burden on proponents and connection timeframes). It does, however, require significant up-front work from the Infrastructure Planner and relevant network operator to develop, for example, South West REZ-specific access standards.

The proposed approach for the South West REZ is to provide an unmodified NER connection process for the initial allocation of access rights. However, the declaration will also retain provisions in the access scheme declaration that provide the Infrastructure Planner with the flexibility to apply a REZ-specific connection process in the future if it is considered beneficial.

Rationale

The REZ connection process has the potential to deliver considerable benefits to proponents, including reducing administrative burden and improved timeframes. However, the proposed initial aggregate maximum capacity for the South West REZ of 3,980 MW is relatively small. It is possible these rights are awarded to a handful for projects. REZ Access Standards and batched power system studies, therefore, may be of limited benefit. Provisions are retained in the access scheme declaration for the application of aspects of the REZ connection process in future, if it is considered to provide benefits (e.g. development of REZ access standards).

Providing flexibility for eligible projects project footprint

The draft access scheme declaration has been amended to allow projects that are located partly outside the REZ boundary to be eligible for access rights. The declaration has a two-limb test for eligible projects. Firstly, at least two-thirds of the area of the project must be located within the geographical boundary of the REZ (measured in hectares) and secondly, the connection point must be to access rights network infrastructure within the geographical boundary of the REZ.

Rationale

This approach provides flexibility by allowing projects to be eligible for access rights that are in close proximity to the SW REZ but are not wholly within the REZ, while also ensuring a significant proportion of the project remains within the REZ. Further, the access scheme will protect sensitive land by providing that the connection point must be within the REZ and therefore restrict connection to parts of the network that are within prime agricultural land.

Shorter access scheme term

The draft access scheme declaration has been amended to reduce the initial access scheme term from 20 years to 15 years.

Rationale

This amendment is to mitigate any unintended consequences if the TTCL results in inefficient network utilisation. Additionally, the Infrastructure Planner can extend the term of the access scheme if required.

Redefining the initial term

The draft access scheme declaration has amended the definition of initial term to conclude 15 years after the date of electrification of Dinawan substation.

Rationale

Consultation with Transgrid indicated that under the definition of the initial term, presented in the March 2023 draft access scheme declaration, the scheme would conclude 15 years after the electrification of Buronga substation. Transgrid informed EnergyCo that Buronga substation electrification is likely to occur in H2 2024 – during the access rights tender period. By redefining the initial term the access scheme will better align with the allocation of access rights.

Updating the definition access rights network

The draft access scheme declaration has updated the access rights network in Schedule 1 to specify the inclusion of any transmission network directly connecting to Dinawan substation and any future substations that may be built within the geographical boundary of the South West REZ to network that extends outside the geographical boundary.

Rationale

As noted in the [March paper](#), the access rights network for the South West REZ is intended to capture:

- All NSW-side PEC infrastructure between and including Buronga and Dinawan substations.
- The 500 kV (330kV operated) line from Dinawan to Wagga Wagga that largely sits outside the geographic area of the REZ, up to but not including the Gugaa substation.
- Portions of any NSW transmission line section of VNI West up to Dinawan substation
- Any future Dinawan to Darlington Point transmission line.

Consultation with Transgrid (who is delivering the transmission network) noted that the study corridor for VNI West had changed since the publication of the initial draft access scheme declaration and that the transmission line will now likely pass through the South West REZ geographical boundary. The definition of the access rights network has therefore been amended to ensure the intended network is preserved throughout the term of the access scheme.

Section 4. Key design features of access scheme

The refined draft access scheme declaration sets out eligibility requirements for connecting to the access rights network and the initial capacity of access rights (in MW) that may be granted to generation, storage and co-located hybrid projects. The draft access scheme declaration also outlines the procedures for granting access rights, how and when the amount of capacity granted may be increased, as well as setting the duration of access rights.

Key features of the SW REZ access scheme that have not been changed since the exhibition of the initial draft access scheme declaration in March 2023 include:

- The use of a **physical access model** (rather than financial) providing increased certainty of congestion outcomes in exchange for an **access fee**, a portion of which is used for community and employment purposes.

- The use of a **flat maximum capacity cap** for each project across a 24-hour period, with flexibility for the Infrastructure Planner to introduce different maximum capacity amounts for different capacity periods within a 24-hour day following a further consultation process.
- The use of a **TTCL** that applies to the access rights network and prevents the award of access rights where the addition of a new project would increase forecast curtailment above the stipulated TTCL.
- The use of an **initial aggregate maximum capacity cap**, using the transfer capacity and approach to TTCL outlined above, with a methodology to increase the cap using a headroom assessment both periodically and where augmentations to the network increase the transfer capacity.
- The **approach to allocating rights**, including an initial allocation conducted through competitive tenders run by the consumer trustee, with eligibility criteria for participation.
- Relying on existing **EI Act Regulations** to create the ‘access gateway’ for connections. These are the NER modifications which “turn off” open access and require projects to hold an access right in order to receive an offer to connect.
- The term of the scheme which runs from the date of gazettal of the final declaration to a date that is **15 years** (rather than 20 years) from the energisation of the first network element.
- Requirement for the Infrastructure Planner’s approval for **directly connected load**.
- Not applying an **access control mechanism** (by which connections to *existing* network infrastructure in the REZ could be controlled) initially. The option is retained to put an access control mechanism in place in the future through a new scheme if necessary.
- **Grandfathering provisions** that apply to projects that have received an offer to connect before a final declaration is made. These provisions require the Infrastructure Planner to take the project’s expected capacity profile into account in determining the quantity of access rights that can be granted under the access scheme declaration but will not require the grandfathered project to hold an access right, pay access fees, or enter any access right contracts.

Section 5. Consultation timeline

21 December 2023 – Publication of the refined draft access scheme declaration and invitation to stakeholders to make submissions

Mid-late January 2024 – Public webinar, further details will be provided on the NSW Government’s Energy, Climate Change and Sustainability (ECCS) website

5 February 2024 – Consultation closes (extended exhibition period of six weeks, accounting for December/January holiday season)

South West REZ Access Scheme

Supplementary position paper - December 2023



At the end of the consultation period EnergyCo and ECCS will consider the feedback from stakeholders. In accordance with the requirements of EII Act, the Minister may then decide to make a final declaration for an access scheme in the South West REZ. If the Minister declares a final access scheme, an order will be published in the NSW Gazette and on the ECCS website.

You are invited to provide your feedback on the refined draft South West REZ access scheme declaration via a free form submission to roadmap.communications@dpie.nsw.gov.au with 'Your Name – Draft South West REZ Access Scheme Declaration' in the subject line.

Submissions will be accepted until 5 February 2024.