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### **Submission to the NSW Transmission Planning Review – Interim Report**

ACER EZ Partnership (ACER EZ), as an authorised network operator for the Central-West Orana Renewable Energy Zone (CWO REZ), welcomes the opportunity to provide a submission to the NSW Transmission Planning Review (Review).

The CWO REZ is the first renewable energy zone network infrastructure project with a contestable revenue determination to be progressed under the *Electricity Infrastructure Investment Act 2020* (NSW) (EII Act) and will play a crucial role in enabling the energy transformation and supporting the reliability of electricity supply in New South Wales (NSW) through better coordinating investment in new transmission capacity and new renewable energy generation.

We appreciate the collaborative approach the Review has adopted, recognising the complex and broad ranging nature of transmission planning which involves and impacts multiple parties across NSW.

Further, we acknowledge the context in which the Review is being undertaken. The urgency of the energy transition in NSW and investment in critical projects to maintain affordability, reliability and system security must be balanced with the need to ensure that reforms are thorough, robust and sustainable into the medium and longer term. In the context, the recommendation of staged reforms is welcomed to ensure that appropriate assessment and consultation can be undertaken where necessary, whilst enabling sensible amendments to be made immediately to support the planning and delivery of essential network investments in the near term.

We generally consider the draft recommendations to be balanced, pragmatic and suitable steps that will support the objectives of the Review and ultimately improve outcomes for NSW electricity consumers. Our submission provides some specific comments on those draft recommendations which are most relevant to our role of contestable Network Operator for the CWO REZ.

Finally, we note that further work will be required to determine how the Government may adopt and practically implement the draft recommendations of the Review. We look forward to receiving further specific detail, which will enable us to fully understand and assess the impacts of the recommendations.



ACERZ welcomes the opportunity to discuss the matters raised in this submission in more detail. If you have any questions, please contact Eamonn Corrigan ([eamonn.corrigan@acerez.com.au](mailto:eamonn.corrigan@acerez.com.au)) or myself.

Yours sincerely,

*Steve Masters*

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### **A.1: Simplify and accelerate the process for authorising REZ network infrastructure projects**

We agree that the draft reforms recommended are sensible measures to amend the process for the recommendation and authorisation of RNIPs which will support clarity of responsibility and streamline the regulatory pathway for future RNIPs.

The role and application of the authorisation in respect of a RNIP is focused on the scope of the project, rather than the network operator appointed to carry out that project. Therefore, we concur that it is reasonable to de-couple the authorisation of the RNI Project from the appointment of the network operator. This draft recommendation should allow the authorisation process to be brought forward and not be delayed subject to the resolution of the network operator procurement process.

In this context, we note that there may be additional time passed between when the authorisation is made and when the appointed network operator submits the initial revenue proposal, including the proposed development and construction capital costs. Therefore, we agree with the review that maintaining the MCC test and including a 'feedback loop' process to amend the authorisation and recalculate the MCC where project circumstances have materially changed are prudent safeguards to protect the interests of consumers.

Specifically, regarding the CWO RNIP and the implementation of the draft recommendation, we seek clarification that:

- The existing authorisation of ACERREZ as the network operator for the Main CWO RNIP made by AEMO Services Limited on 4 June 2024 will remain valid, despite any amendments to the wording of section 31 of the EII Act.
- Any augmentation to the CWO REZ (to the extent it is treated as an authorised RNIP under the EII Act) would be progressed by way of a new authorisation, not an amendment to the existing authorisation. We consider this is consistent with the Review's intent but should be made clear in the necessary amendments to the EII Act and Regulation.

### **A.2: Strengthen the regulation of network-to-network connections**

We broadly agree with the features of a 'strengthened network-to-network connections regime' proposed by the Review in the draft recommendation. A core foundation to effective network to network connection is equal recognition and common appreciation of both networks' roles and functions.

The scope of application for any reforms should be carefully considered, there are a large range of possible future network-to-network connection circumstances, developing a 'one-size-fits-all' approach for other transmission network operators to implement and comply with any new obligations may not be appropriate or practical (e.g. with respect to template agreements and technical requirements).

We agree with the Review that the initial scope of reform is kept narrow. As the Review notes, enhanced obligations applicable to Transgrid in relation to the connection of new RNIPs to the existing NSW transmission network as well mechanisms to allow for EnergyCo's early engagement with Transgrid in respect of a REZ network connection should be the focus of any immediate reforms. It is important that the risk allocation and respective responsibilities and obligations are clearly defined at the start of any REZ connection to main grid process.

### **A.3: Reform the system strength regulatory arrangements to clarify accountability for system strength planning in REZs and improve coordination**

We appreciate the approach of the Review on the issue of system strength and agree that coordination in planning of system strength is essential and should be recognised in the provision of system strength under both the EII Act and NER framework. In the absence of coordination across the whole transmission system, with clear allocation of responsibilities across all parties, there are risks of inefficient overinvestment or system security risks. A consistent and coordinated framework should apply on a whole-of-system basis, irrespective of boundaries of ownership between TNSPs and contestable network operators.

As the Review notes, the current framework contains gaps regarding the planning, procurement and provision of system strength services within contestable RNIPs such as the CWO REZ, as well as the cost recovery mechanism for those services. Whilst the ‘centralised’ system strength procurement approach has provided a pathway for the initial system strength requirement in the CWO REZ to be procured and cost recovered under the authorisation and revenue determination for the CWO RNIP, this approach may not apply to other REZs or to future system strength needs in the CWO REZ as additional generators connect over time. This will depend on how Energy Co decides to specify the terms of any access rights in a REZ.

We note that the draft recommendation remains relatively open-ended as to how system strength may be approach in a non-SSSP network (such as a contestable REZ network), referring to the high-level guidance extracted below:

*A clear process for a person to be appointed to have equivalent responsibilities to the SSSP within a non-SSSP network, or for different people to perform different parts of those responsibilities (e.g. one person may be responsible for planning and procuring system strength in REZs while a different person may be responsible for providing, operating and maintaining system strength services in each RNIP).*

In respect of this, we agree that a clear allocation of responsibilities and associated risk is essential. Any combination of AEMO, Transgrid as the incumbent SSSP or the contestable REZ network operator within the non-SSSP network could be appointed to perform the various responsibilities. Under any allocation of responsibility between those various parties, there will be incremental activities for ACERZ to assess how incremental system strength within the REZ interfaces with obligations under existing contractual arrangements with EnergyCo, Transgrid and Access Right Holders and ensure any incremental risks can be identified and mitigated.

We note that this is a complex and highly technical area requiring parties to work with the NSW Government to assess and establish the appropriate arrangements and details of their implementation. We look forward to the opportunity to further engaging on these matters.

Whilst it is noted that system strength charging and cost recovery arrangements are outside the scope of the Review, ensuring that all parties (including contestable network operators under the EII Act) can access an appropriate mechanism to establish and recover its costs of carrying out any obligations is essential to ensuring any recommended allocation of responsibilities is robust, fair and implementable. This should be considered by the NSW Government, seeking to achieve consistency between the arrangements under the NER and any clarified arrangements under the EII Act. As noted, there is not currently an established pricing and cost recovery framework for the provision of system strength

services within a non-SSSP region, other than via an authorisation and revenue determination under the EII Act.

**A.4: Remove barriers to planning efficient distribution network projects under the EII Act**

No comments.

**A.5: Clarify EnergyCo's current planning functions in the EII Regulation and A.6: Require EnergyCo to consult on and publish a guideline explaining its planning functions and how it will perform them**

We agree with the Review that there is currently limited information and some confusion regarding the various roles performed by various bodies in transmission planning in NSW. We also acknowledge the EnergyCo currently undertake many important planning functions, which may be expanded if the Government adopts the Review's draft recommendations. Therefore, the proposed measures to better define in the EII Regulation the functions that EnergyCo is obliged and empowered to exercise, and for EnergyCo to consult on and provide more detailed guidance on how it intends to carry out those functions would be welcomed in the interests of informing consumers, proponents and other key stakeholders.

**A.7: Clarify which projects should be planned and approved under the EII Act instead of the NER**

We agree with the Review's position that implementing any criteria as a guideline rather than in the EII Act or Regulation is sensible, given the large range of future circumstances and uncertainties regarding the nature of future network projects and investments that will be required, providing EnergyCo flexibility in how any guidelines are implemented or adapted over time is preferable over a rigid criteria in Regulation.

In considering this recommendation, we note that the EII Act and the NER are not mutually exclusive. For example, the CWO RNIP was planned and approved through the Infrastructure Planner's recommendation and Consumer Trustee's authorisation in accordance with the EII Act framework – however, future connections and associated assets to the CWO REZ may be delivered under the NER framework in accordance with Chapter 5 (as modified by Chapter 9A).

ACERZ is both a registered TNSP under Chapter 2 of the NER and a contestable network operator of a RNIP appointed under the EII Act. We do note that the ability to access the NER framework for the planning and approval of broader network augmentations (beyond only incremental connection assets) is limited and would expect the EII Act to be used in these contexts.

The inter-relationships between the two regimes, particularly how they may converge as a network asset evolves over time, should also be considered in the development of any criteria informing the appropriate pathway for planning and approvals.

**A.8: Clarify which projects should be procured contestably**

As noted in our submission to the Options Paper, we consider that contestability can provide material benefits for consumers and the role of contestable network operators to collaborate and co-exist with

incumbent TNSPs and DNSPs is an essential component of the NSW Government's Roadmap. We equally recognise that a contestable procurement approach will not always be practical or optimal, based on the characteristics of the identified project and how it interfaces with existing network infrastructure.

We agree that additional information would provide valuable guidance to investors and proponents (in the context of prospective contestable network projects) and to incumbent NSPs as to the non-contestable works they may be required to deliver.

Therefore, we support the draft recommendation for additional clarity to be provided, noting that the specific details of any criteria will need to be developed by EnergyCo, in consultation with stakeholders, in due course.

Finally, as we noted in our submission to the Options Paper, ACERZ's contractual arrangements with EnergyCo contain existing provisions governing how any contestable augmentation of the CWO RNIP may be carried out. Specifically, these provisions include principles regarding the determination of contestable, referenced and non-contestable cost components – consistent with the framework set out under section 47E of the EII Regulation.

We recognise that the focus of the draft recommendation is on the 'base scope' of a project which may be planned and procured on either a contestable or non-contestable basis under the EII Act. However, any criteria specified should be clear in their application (if any) to contestable augmentations, where a contestable procurement process for the 'base scope' RNIP has already been carried out. The existing commercial and regulatory framework between ACERZ and EnergyCo applicable to contestable augmentations should be preserved and not undermined by any criteria introduced.

#### **A.9: Make EnergyCo the Jurisdictional Planning Body and exclusive Infrastructure Planner so it can coordinate planning across NSW**

The appointment of EnergyCo as the JPB appears a prudent transition in the interests of coordinating planning across the State, undertaken by an independent body with limited conflicts of interests and a general objective to act in the long-term interests of consumers.

As the Review notes, the specific details of how EnergyCo would carry out its functions as JPB will need to be worked through in parallel with the other reforms recommended by the Review – including consideration of appropriate transitional arrangements and ensuring EnergyCo will have the necessary capability to perform any functions transferred to it.

#### **A.10: Extend the NER joint planning provisions to apply to EnergyCo and enhance joint planning between EnergyCo, TNSPs, DNSPs and AEMO**

We note that clause 9A.9.7 of the NER modifications disapplies the joint planning arrangements in clause 5.14 to a 'Transmission Network Service Provider in respect of its IP planned REZ network' and clause 9A.10 has the effect of transferring the relevant joint planning roles to EnergyCo as the Infrastructure Planner. A contestable network operator's role in this process is to appropriately cooperate and inform the Infrastructure Planner (in accordance with clause 9A.9.7(b)) to undertake the joint planning functions in respect of the REZ network, but the contestable network operator does not directly engage.

ACERZ is a registered Transmission Network Service Provider, as other contestable REZ network operators will be. In this context, it would be helpful to clarify whether and under what circumstances contestable REZ network operators would be captured within the proposed “*obligations on NSW TNSPs and DNSPs to undertake joint planning with EnergyCo regarding any matters related to EnergyCo’s functions as Jurisdictional Planning Body or Infrastructure Planner*”.

It is important to ensure that the knowledge and inputs of contestable REZ network operators can be appropriately recognised among all TNSPs and DNSPs in joint planning forums, to the extent contestable REZ network operators are not subject to a formal obligation to participate in joint planning. Consideration should be given to the allocation of the existing joint planning functions between EnergyCo and contestable network operators under 9A.9.7 and 9A.10 and whether these remain fit-for-purpose in light of the expanded joint planning functions of EnergyCo.

#### **B.1-B.4: Improving the consistency and effectiveness of transmission planning reports**

Recognising that these draft recommendations are longer term reforms, we support the objective for a coordinated approach to the development of transmission planning reports within NSW and under the national framework. A consolidated and coordinated approach will provide opportunities to align technical specifications, modelling inputs and assumptions, which can otherwise vary where reports are prepared by different parties at different points in time.

We agree with the Review that the preparation of TAPRs, DAPRs and TAMRs serve an important and specific purpose at the local network planning level and should be retained, as well as forming an input to the broader consolidated NSW System Plan. In parallel with the enhanced joint planning framework, this also enables the network planning expertise and intimate knowledge within each of the network businesses to be leveraged, rather than placing undue and inefficient obligations for EnergyCo to replace the existing TAPR, DAPR and TAMR functions in NSW.

#### **C.1: Implement best-practice engagement obligations to enhance engagement with consumers and local communities and transparency of decision making**

Engagement with consumers and local communities is essential and providing formal arrangements for each of consumer and community engagement, which are grounded in legislation or regulation would aid in credibility and transparency.

In considering the appropriate arrangements for engagement by EnergyCo with local communities, we stress the need for coordination. The focus of the recommendation is on early engagement by EnergyCo (e.g. prior to recommending an RNIP or PTIP) however it is important to recognise the breadth of engagement that will occur in relation to a major transmission project over the life of that project’s delivery and operation.

The initial and ongoing activities undertaken by EnergyCo should be coordinated with the activities undertaken by the network operator as the project progresses and with regard to the activities of other parties in the region (e.g. developers of generation projects in the REZ). Providing local communities with clarity of messaging, consistent information and accessibility on a whole-of-project basis should be considered in.



Regarding stakeholder engagement in the REZ, the solution is often not to simply do more engagement but instead more about clarity of messaging, ease of access and giving everyone a sense that their opinions are being listened to and acted on. There is a need to ensure co-ordination and alignment across all parties' activities in the REZ. It is not clear how increased obligations for EnergyCo would impact on ACERREZ's existing and ongoing engagement activities, as well as those of the generators in the REZ, and could lead to increased confusion in the community.

**C.2: Ensure EnergyCo's governance and funding arrangements are appropriate for its current and expanded functions and enable it to attract and retain suitable staff**

It is essential that EnergyCo is appropriately resourced and funded to carry out its functions in a timely and effective manner, resourcing limitations should not result in delays or bottlenecks to the planning and delivery of critical projects. It is equally important that appropriate governance and independence arrangements are in place to ensure potential conflicts of interest are mitigated and EnergyCo carries out its role in a robust manner in the long-term interests of consumers.

These facts are particularly pertinent noting that several of the draft reforms recommended by the Review will result in an expansion of EnergyCo's functions related to transmission planning.

As such, it is prudent that the NSW Government undertakes a review of the current arrangements, having regard to the recommendations of the Review.








# Final ACEREZ submission - NSW Transmission Planning Review\_Interim Report 25 July\_

Final Audit Report

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