

8 September 2020

David Swift
Independent Deputy Chair
Energy Security Board

By email to: info@esb.org.au

Dear Mr Swift,

Response to Consultation Paper and Draft Rules – Interim REZ framework (Phase 1 consultation)

Enel Green Power (EGP) appreciates the opportunity to respond to the Energy Security Board (ESB)'s Consultation Paper on its proposed new planning rules for Renewable Energy Zones (REZs).

Founded in 2008, and part of Enel Group, EGP builds and operates large scale renewable generation capacity in energy markets around the world. EGP operates in 27 countries on 5 continents with a managed capacity of over 46 GW and over 1,200 plants. EGP is the largest privately owned renewable energy company in the world, generating approximately 100 TWh of renewable electricity from hydro, solar, wind and geothermal resources every year.

In light of the fact that some 26 GW of new renewable generation capacity is required to replace the retiring coal fired generation fleet over the next 15 years,¹ it is critically important that a new approach to transmission is adopted. As illustrated by the connection and curtailment issues being experienced by EGP and other renewable energy developers in the West Murray region of Victoria, and increasingly elsewhere in the National Electricity Market (NEM), it is clear that transmission development has not kept pace with the energy transition. The consequential impacts on renewable developers and investors are eroding incentives to invest in the NEM, putting at risk the ability of the federal and state governments to meet their emissions reductions targets.

Much good work has been done recently by AEMO, ESB and AER to reform key aspects of the transmission regulatory framework. The introduction of a 20 year forward looking strategic development plan for transmission (the Integrated System Plan) and the ESB's current initiative to develop new regulatory arrangements to facilitate development of REZs, together should deliver a far more proactive and effective transmission and connection regime for the NEM.

¹ AEMO, July 2020, 2020 Integrated System Plan. Available at: <https://www.aemo.com.au/energy-systems/major-publications/integrated-system-plan-isp/2020-integrated-system-plan-isp>

We expect the new framework will reinvigorate renewable energy investment in the NEM by better coordinating transmission with generation development, which should reduce connection times frames and risks, and reduce connection costs by leveraging economies of scale in both transmission and supporting system strength infrastructure.

Our responses to the questions posed in the consultation paper are provided in the Appendix to this letter.

Please contact Con Van Kemenade, our Head of Regulation, on 0439399943 if you would like to discuss any aspect of this submission further.

Yours faithfully,



Javier Blanco

Country Manager

Enel Green Power Australia

Appendix

Q1: If implemented, should the REZ planning arrangements outlined in Chapter 3 be a permanent feature of the regulatory framework or only apply on an interim basis?
The proposed arrangements should apply on a permanent basis, as otherwise they will simply create unnecessary uncertainty for investors. As the new framework will form part of the NER it can be refined over time through the AEMC's rules change process.
Q2: Should the REZ planning framework promote a staged approach to REZ development?
Yes, as staged development plan for each priority REZ would be prudent and consistent with the AER's Cost-Benefit guidelines on "Optionality".
Q3: Should the Jurisdictional Planning Body (JPB) be responsible for designing REZs?
<p>Yes, noting that the JPBs are the transmission businesses in each region. The transmission businesses have the best local knowledge of transmission development and generator locational decisions within their regions. REZs planning can be readily incorporated into the broader planning responsibilities of the transmission businesses, who already have joint planning obligations with AEMO with respect to the ISP. In addition, this is consistent with the actionable ISP framework, where AEMO identifies REZ in the ISP for priority development and the transmission businesses will subsequently be responsible for applying the detailed cost benefit analysis and consultation to develop specific options.</p> <p>However, while overall planning should sit with the JPB, the rules should allow flexibility in terms of ownership and business models for the actual deployment and operation of REZ projects. This could range from a regulated delivery model, where projects are funded by customers (because they pass the RIT-T) to innovative private delivery models for those more speculative projects unlikely to pass the RIT-T. This might occur in circumstances where future projects in the ISP are brought forward due to developer interest, or alternatively, non-ISP transmission projects are developed within a REZ (i.e., small or large dedicated connection assets). There may also be circumstances where mixed deployment models might work best, i.e., where transmission development projects comprise part regulated and part privately funded capacity. We look forward to addressing the issue of delivery models in more detail in Phase 2 of the consultation process.</p>
Q4: Should the ISP be the primary vehicle for triggering a REZ design report?
Yes. The ISP represents the most comprehensive and rigorous perspective of future transmission development requirements, which takes into account the views of industry, transmission businesses and other stakeholders, in its biennial consultation process. REZs are also now a core feature of the ISP.
Q5: Are the proposed criteria for selecting REZs for planned development appropriate? Are there other criteria that should be taken into account?
Yes. The proposed criteria are appropriate.
Q6: Do the REZ design principles require amendments or additions?
No. The design principles are appropriate.

Q7: Do the REZ design parameters require amendments or additions?
No. The design parameters are appropriate
Q8: Is the proposed content of the REZ design report appropriate?
Yes.
Q9: Is the proposed process for preparing a REZ design report appropriate?
Yes.
Q10: Do the draft Rules effectively integrate both local and system-wide considerations?
Yes.
Q11: Do the proposed funding arrangements support the delivery of the REZ planning framework?
Yes. Planning and design of the REZ is a core function of the TNSP and the costs should therefore be recovered from consumers (who ultimately benefit from cheaper wholesale prices as a result of a more competitive generation market as well as more efficiently developed network). Prudence of design expenditure can be assured through the AER expenditure approval process.