



8 September 2020

Dr Kerry Schott  
Chair  
Energy Security Board

Submitted via email: [info@esb.org.au](mailto:info@esb.org.au)

Dear Dr Schott,

### **ESB: Renewable energy zones planning – consultation paper**

Origin Energy Limited (Origin) welcomes the opportunity to provide feedback on the ESB's draft rules to support the design of renewable energy zones (REZs).

We support the REZ planning rules in principle. A well-designed framework could help resolve the lack of coordination of generation and transmission investment in the National Electricity Market (NEM) and provide a consistent approach to implementing REZs.

However, the ESB should examine the planning and policy aspects concurrently to promote a more holistic assessment of the costs and benefits of the framework. Specifically, the ESB should only finalise the planning rules once it has received and incorporated feedback on the policy aspects of the proposal, given the overlap between the two stages.

### **Well-designed REZs could help solve coordination issues**

The NEM is currently undergoing a rapid transition which is creating challenges for the grid. The nature of generation investment is changing, with a larger number of smaller generators looking to connect more often. This makes coordination with transmission more difficult. While the recently enhanced Integrated System Plan (ISP) provides a foundation for better coordination, the NEM does not have a framework that explicitly addresses this issue.

REZs, if designed well, could improve coordination of generation and transmission investment. We support, in principle, the establishment of an overarching planning framework for REZs through the design report. We also support, in principle, a staged approach to planning and progressing REZs, to the extent that it helps to minimise any unnecessary augmentation.

A REZ planning framework would improve transparency, foster consistent implementation across regions of the NEM and ensure better alignment with the ISP's optimal development path. To that end, we consider that the planning framework, if implemented, should apply to all REZs, including existing ones such as Central West Orana.

In order to promote transparency and engagement when planning for REZs, jurisdictional planning bodies should:

- Publish inputs and assumptions, including for consultation, especially where they differ from the ISP.
- Consult on non-network options for all relevant aspects of the REZ.

This would be in addition to the consultation requirements set out in the draft rules, which we support.

### **A more holistic approach to a REZ framework is needed**

While we support the proposed planning framework in principle, we cannot form a firmer view on its suitability without assessing the details of the stage 2 policy changes.

For example, it is difficult to comment on the appropriateness of the proposed REZ definition without knowledge of the scope and details of the policy changes. It is also challenging to assess the suitability of the proposed requirements to consult with developers at the planning stage, without understanding the likely obligations generators would have under stage 2 policy changes.

Similarly, the ESB notes that staging would provide scope for different phases of the REZ to have bespoke funding arrangements. It is not clear how this would work in practice and this detail will not be available until stage 2. As a general principle, any augmentation paid for by consumers (i.e. regulated assets that form part of the shared network) should only occur if there are net benefits through the regulated investment test for transmission (RIT-T). Any changes to investment tests or alternative funding arrangements need to be carefully assessed to ensure that consumers do not ultimately bear unnecessary costs.

Considering stage 1 and 2 together would enable a better understanding of the proposed costs and benefits of the planning framework. We therefore suggest that the ESB should only finalise its planning rules once it has published and received feedback on the policy aspects of the framework (i.e. stage 2). The ESB should also align and coordinate its work with the AEMC's rule change on dedicated connection assets (DCAs) as they could be an important aspect of implementing REZs.

Alignment of stage 1, stage 2 and the DCA work would enable a clearer assessment of how best to approach implementing REZs. If this requires a short delay to the finalisation of the planning rules (currently scheduled for October 2020), we consider that this would be justified in order to properly assess the proposal.

Should you have any questions or wish to discuss this submission further, please contact Sarah-Jane Derby at Sarah-Jane.Derby@originenergy.com.au or by phone, on (02) 8345 5101.

Yours sincerely



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