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8th September 2020

Energy Security Board

info@esb.org.au

Dear Sir/ Madam,

Reach Solar energy Response to Consultation Paper and Draft Rules – Interim REZ Framework

Reach Solar energy (“**Reach**”) is very pleased to provide its response to the consultation paper and draft Rules prepared by the Energy Security Board (ESB) titled “Renewable Energy Zones Planning” dated August 2020.

Question 1

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?

Reach understands from the ESB slides dated 7 May 2020 that the Interim REZ framework (IRF) is intended to provide regulatory clarity prior to implementation of transmission access reform. It is therefore expected to have a “narrow application” for a period of time. Please confirm if this is still the case.

Reach does see merit with a planned REZ, but suggests a review of the process after the IRF has been trialed at one or two REZ locations. Reach suggests this is done before the REZ planning arrangements are considered to be a permanent feature of the regulatory framework. This is to ensure other benefits derived from “Open Access” (e.g. competition and/ or innovation including better use of existing infrastructure) are not lost with a more planned regime.

If a large transmission project passes through one or multiple existing REZ (eg. Humelink or EnergyConnect), and is already well-advanced through its RIT-T process, then could the IRF apply to a portion of it or all of it? If it could, then this could this affect the access rights and costs for a generator i.e. some generators could have open access (as per NER), and other controlled access. Will there be a clearly-defined line of demarcation? How will the NER operate in this regime? The situation is likely to become more confusing as more REZ’s have the IRF applied to them.

Question 2

Should the REZ planning framework promote a staged approach to REZ development?

A staged approach appears to be the most sensible. It fits well with the need for independent power projects (e.g. wind, solar and/ or hydro-electric) to achieve financial close with a clear commitment to build the required grid infrastructure for it to evacuate its energy in an unconstrained and stable manner.

There is however a risk of incomplete (or delayed) REZ developments if the phases are a mix of regulated and commercial transmission assets.

Question 3 Should the Jurisdictional Planning Body (JPB) be responsible for designing REZs?

Reach consider the Jurisdictional Planning Body (JPB) should be responsible for designing the REZ.

However, Reach has reservations about the JPB considering the “...*best places to locate clusters of generation within a REZ...*”. The JPB doesn’t know best, and should rely on competition and experience from project developers to develop project solutions as proposed in section 3.3.

Question 4

Should the ISP be the vehicle for triggering a REZ design report?

Reach consider the ISP should be the vehicle for triggering a REZ design report.

Reach does question if AEMO (only) should trigger the REZ design report because there may be differing views from participants during the ISP stakeholder engagement process.

Question 5

Are the proposed criteria for selecting REZs for planned development appropriate? Are there other criteria that should be taken into account?

The two criteria listed are considered acceptable to Reach but consideration should also given to existing renewable developments which may be within or adjacent to the proposed REZ. This is to avoid say an “open access connected” development project being usurped by a planned REZ. Reach recommends the relevant TNSP (or formal designated transmission planner) must also approve to trigger a REZ design report as well as AEMO.

Questions 6 and 7

Do the REZ design principles require amendments or additions?

Do the REZ design parameters require amendments or additions?

It is not clear if the “generation capacity” in the “REZ design parameter” column refers to a staged MW from a project or the capacity in its Development Application approval ?

Reach concur the transmission plan is likely to be an iterative process. The “joint planning process” and determination of “option value” for each stage, is however likely to flush out issues between different parties. This is likely to be driven by competitive tension i.e. different developers will be seeking offtake from the same retail and/ or corporate customers and its important to encourage a least cost of connection to the grid.

The design parameters should also incorporate the generation profiles and project lives of the generation being considered in the REZ design report. For example solar PV and wind generation have differing regimes and the REZ design parameters should take this into account to optimise the usage of the augmentation for maximum benefit.

Question 8

Is the proposed content of the REZ design report appropriate?

Reach consider the content is acceptable.

Question 9

Is the proposed process for preparing a REZ design report appropriate?

Reach would like the ESB to clarify how the JPB will give “...local communities the opportunity to present information ...”. How does this proposed process interact with Planning requirements and the interaction between the renewable project and the landowner/local community ?

Question 10

Do the draft Rules effectively integrate both local and system-wide considerations?

Please clarify what is meant by “...AEMO would designate the project as an actionable ISP project...” ? Is this in advance of the renewable project achieving “committed status” i.e. GPS and FIA studies completed?

Question 11

Do the proposed funding arrangements support the delivery of the REZ planning framework?

The AER funding of the REZ design report activities appears satisfactory to Reach.

Reach does however question if the timing of the existing AER review “...revenue determination” is frequent enough to respond to grid requirements and it requests the ESB consider the same ?

Question 12

What, if any, transitional arrangements are required to give effect to the REZ planning framework?

Transitional arrangements should exist to recognise existing renewable energy (RE) projects which are within or adjacent to a REZ. Care should be taken to ensure project

value is not destroyed as part of a planned REZ process and it should not have to bid to connect to the grid as part of the planned REZ process.

It is not clear how planned REZ projects will interface with open access connected projects.

There is an increased risk of capital being drawn to planned REZ projects – because they appear to be favoured by government and/ or Regulators - and this in turn will result in reduced appetite for other REZ (with open access). Govt/ Regulators need to reinforce the message that this is not the case to place equal importance on the development of projects in other REZ's as well as an open access connection.

Finally, designing a planned REZ to fit with COGATI (ESB May 2020) suggests COGATI is mandatory. This compounds the uncertainty. Reach continues to have severe reservations regarding COGATI as detailed in its letter to the AEMC date mid 2017.

Reach considers Stage 1 of the consultation paper a productive step to a better planned network and attempting to avoid the unplanned nature of development currently underway in the NEM.

Reach foresees several issues with Stage 2 that will be more problematic, namely:

- i. Will the required network assets be regulated or unregulated;
- ii. Guaranteed access, evacuation capacity, and the term granted to participating projects;
- iii. interaction with the open access NER principle and open access connected projects and
- iv. Liquidated damages, recourse and indemnities from the TNSP for loss to participating projects affected by unavailability;

Reach looks forward to progress with REZ Framework and discussion on the more difficult issues with Stage 2.

I hope this is of interest to ESB and please do not hesitate to contact me if you have any questions on the same (0447 350 442 or julian@reachsolarenergy.com.au).

Yours sincerely,



Mr. Julian Dichiera
