

## Tranche two regulations issues paper: Consultation submission form

This form is to be used to provide feedback on a series of questions included in the [Tranche two regulations to support the Electricity Infrastructure Roadmap Issues Paper \(PDF 800KB\)](#) to help inform the development of the regulations.

Please see the [Electricity Infrastructure Roadmap webpage](#) for more information.

### Consultation questions

You do not need to answer every question. Please answer the questions of interest to you.

Chapter numbers indicate the location of questions in the Issues Paper.

Please make your submission by **5pm on Friday 21 May**.

### Confidentiality and submissions

Providing submissions is entirely voluntary, is not assessable, and does not in any way include, exclude, advance or diminish any entity from any future procurement or competitive process regarding the Electricity Infrastructure Roadmap, or any other NSW programs.

The NSW Government is committed to an open and transparent process, and all submissions will be made publicly available unless the stakeholder advises the Department not to publish all or part of its submission. Authors may elect for some or all of their submission to be kept confidential. If you wish for your submission to remain confidential please clearly state this in your submission.

### Your details

|                   |   |
|-------------------|---|
| Submission type   | <input type="checkbox"/> Individual<br><input checked="" type="checkbox"/> Organisation<br><input type="checkbox"/> Other Click or tap here to enter text.  |
| Author name       | Jenessa Rabone  |
| Organisation      | AGL   |
| Author title      | Senior Manager, Wholesale Energy Policy   |
| Phone             | ██████████  |
| Email             | ██████████  |
| Stakeholder group | <input checked="" type="checkbox"/> Generation or storage infrastructure provider<br><input type="checkbox"/> Electricity consumer or representative body<br><input type="checkbox"/> Network infrastructure provider |

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|  | <input checked="" type="checkbox"/> Energy retailer<br><input type="checkbox"/> Government or market institution<br><input type="checkbox"/> Individual<br><input type="checkbox"/> Other (please specify) <a href="#">Click or tap here to enter text.</a> |
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## Questions

### Chapter 4 – Energy Security Target

**Question 1:** Should the Energy Security Target Monitor define the method to determine the derating factor or should the method be defined in the regulations? If not by the derating factor, how else should the regulations address the probabilistic nature of semi-scheduled generators in the context of the deterministic Energy Security Target?

Given the EST has been defined using a deterministic methodology, AGL is supportive of the Department's preferred option in relation to derating semi-scheduled generation.

AGL has previously noted that the use of a deterministic methodology will not be able to provide insight on the volume and duration of outages or the most appropriate steps to remedy any breach of the standard. A probabilistic methodology is better able to take account of the complex generation inputs and increasing interconnection in the NEM.

Our submission from June 2020 provides further AGL views on the use of a deterministic methodology.<sup>1</sup>

**Question 2:** Should the regulations prescribe any other matters for inclusion in the Energy Security Target Monitor's report? If so, what are they?

As noted above, there are likely to be some shortcomings with identifying the expected size (in MW) and duration of breaches using a deterministic approach.

AGL suggests that the EST Monitor's Report should explicitly identify any assumptions that could have an impact on the findings. For example, it should identify any transmission upgrades or new generator builds that may not yet be "committed" and included in the assessment, but are likely or expected to proceed (eg Snowy 2.0, ISP projects).

### Chapter 5 – Electricity Infrastructure Investment Safeguard

**Question 3:** To what extent are the requirements for carrying out competitive tenders of Long Term Energy Service agreements appropriate? Are there any other

One of the principles for carrying out tenders for LTESAs is "to consider the long-term financial value of the tender participant's offer to consumers based on the proposed terms on an LTES agreement and the relevant infrastructure's expected impact, including but

<sup>1</sup> [https://thehub.agl.com.au/-/media/thehub/documents-and-submissions/2020/agl-submission\\_nsw-energy-security-target-and-safeguard.pdf?la=en&hash=53B38EA2F15BA9531842A96ED1E34816](https://thehub.agl.com.au/-/media/thehub/documents-and-submissions/2020/agl-submission_nsw-energy-security-target-and-safeguard.pdf?la=en&hash=53B38EA2F15BA9531842A96ED1E34816)

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| requirements that should be considered?   | <p><i>not limited to wholesale electricity prices, network investment and the need for essential system services.”</i></p> <p>AGL suggests that the impact on wholesale electricity prices must be considered together with the broader market impacts of further reducing wholesale electricity prices, including the economic and market impacts of early asset retirement. Ideally the LTESAs would not adversely impact the existing market.</p> <p>The impact on congestion across the network should also be considered, as this is another situation where a new project, depending on the location, could have adverse impacts on existing generation and market outcomes.</p> <p>Finally, AGL suggests the impacts on retail markets should also be considered. For example, how and at what cost will retailers hedge their risk or meet compliance obligations such as under the Retailer Reliability Obligation should there be fewer firm generators to offer contracts.</p> <p>These market impacts should also be considered by the Consumer Trustee in developing the Infrastructure Investment Objectives Report and setting out the development pathway. Achieving the right timing of investments will be key to the success of the Roadmap and in preventing unintended market impacts.</p> |
| <b>Question 4:</b> Do you agree with the matters the Consumer Trustee must take into account when preparing the Infrastructure Investment Objectives Report? Are there any other matters that should be taken into account? | <p>AGL notices that the AEMO Integrated System Plan (ISP) is not mentioned in relation to the Infrastructure Investment Objectives Report or Consumer Trustee.</p> <p>We suggest there should be some alignment with AEMO and its ISP. The development pathway recommended by the Consumer Trustee should be developed in consultation with AEMO and be guided by the ISP as it is a whole of system plan. It is crucial that transmission augmentation to facilitate NSW REZs be considered with regard to the potential impact on all regions of the NEM, including the impact of transmission upgrades on interconnector flow. Working closely with AEMO should help to ensure efficient outcomes and help to minimise unnecessary infrastructure build.</p>   |
| <b>Question 5:</b> In what circumstances should the Consumer Trustee prefer long duration storage over firming infrastructure to meet the reliability standard?   | <p>This is a complex question and the answer will depend on the conditions and other assets, interconnection and demand response available at that point in time.</p> <p>As raised in our previous submission, a probabilistic assessment approach to market shortfalls is better</p>   |

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|  | equipped to identify the attributes of new generation that are necessary to address the shortfall. AGL suggests that NSW Government undertake a probabilistic reliability study to understand the true nature of any shortfall.   |
| <b>Chapter 6 – Classification of REZ network infrastructure</b>  |   |
| <b>Question 6:</b> Are there any other considerations that should be taken into account in classifying REZ network infrastructure in regulations, including the need for, and scope of, sub-classifications? | <p>AGL suggests there may need to be a different classification for competitive infrastructure like batteries or synchronous condensers. While batteries and synchronous condensers could be built by the network operator for the purposes of system security in the REZ, these assets are in competition with generators also providing those services and therefore should not be funded through part 5 of the EII Act.</p> <p>The Energy Security Board and Australian Energy Market Commission are reviewing and developing markets to ensure system security. It is therefore not necessary, and potentially higher cost for customers, for these assets to be funded through regulatory arrangements.</p> <p>AGL also suggests that existing generators should have grandfathered access arrangements, should a REZ be declared around them. Existing generators would not have intentionally located themselves within the REZ or factored the additional access costs into the investment decision. Nor would they have access to a LTES agreement to offset these costs. They are therefore likely to be at a competitive disadvantage compared with any new generation.</p> <p>To the extent that this should be recognised in these classification arrangements, we ask that NSW consider this.</p> |
| <b>Question 7:</b> What types of network infrastructure could be subject to economic regulation under Part 5 of the EII Act?   | If the costs of transmission upgrades to support the REZ are to be partially recovered from REZ participants, any expansions to network infrastructure outside of the REZ to accommodate the REZ would need to be included under Part 5 of the EII Act instead of Chapters 6 or 6A of the NER.  |

## Supporting information

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| If you have additional information you would like to provide to support your views, please provide it here. | Click or tap here to enter text. |
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If you have additional documents to provide to support your views, please email it with your submission.

## Confidentiality and submission publication preferences

Please indicate your publication preferences.

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| Would you like all or part of your submission to be confidential? If so, please identify the part(s) in your submission  | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| <p><b>For confidential submissions:</b> Some confidential submissions may be shared with the Australian Energy Market Operator, Australian Energy Market Commission, Australian Energy Regulator, the Energy Security Board, TransGrid, the Clean Energy Finance Corporation, Australian Renewable Energy Agency, Essential Energy, Endeavour Energy and/or Ausgrid to better understand and respond to issues raised.</p> <p>Would you like your submission to be kept confidential from these parties?</p>   | <input type="checkbox"/> Yes <input type="checkbox"/> No            |
| If your submission is published, only your name and organisation would be published. Would you like your submission to be anonymous and these personal details redacted?   | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| <p>The Department will redact personal details from submissions made by individuals to protect personal information. In the absence of an explicit declaration to the contrary, the Department will assume that information provided by respondents is not considered intellectual property of the respondent.</p> <p>The Department may disclose confidential information provided by you to the following parties:</p> <ul style="list-style-type: none"><li>• The NSW Minister for Energy and Environment or Minister's office</li><li>• The NSW Ombudsman, Audit Office of NSW or as may be otherwise required for auditing purposes or Parliamentary accountability</li><li>• Directly relevant departmental staff, consultants and advisors</li><li>• The Australian Energy Market Operator, Energy Security Board, Australian Energy Market Commission, Australian Energy Regulator, or the Australian Competition &amp; Consumer Commission</li><li>• TransGrid, the Clean Energy Finance Corporation or the Australian Renewable Energy Agency or distribution network service providers</li><li>• Other parties where authorised or required by law to be disclosed.</li></ul> <p>Where the Department discloses this information to any of these parties, it will inform them that the information is strictly confidential.</p> <p>The Department may publish or reference aggregated findings from the consultation process in an anonymised way that does not disclose confidential information.</p> <p><b>We may be required to release the information in your submission in some circumstances, such as under the <i>Government Information (Public Access) Act 2009</i>.</b></p> |   |

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