

12 November 2021

Department of Planning, Industry and Environment  
Locked Bag 5022  
PARRAMATTA NSW 2124  
Via email: Electricity.Roadmap@dpie.nsw.gov.au

Dear Sir/Madam

**Re: Network Infrastructure Policy Paper – Part 5 of the EII Act**

Thank you for the opportunity to participate in consultation on the framework to identify, develop and deliver network infrastructure assets in New South Wales. This document constitutes ATCO Australia's (ATCO) free form submission.

ATCO is a strong supporter of proposed contestability reforms to the delivery of transmission assets that will allow new entrants into the market, drive innovation and competition, and provide better outcomes for landholders, local communities and electricity consumers over the longer term. Effective coordination of new transmission and generation assets is a pivotal enabler of the National Electricity Market's (NEM) transition. Regulatory frameworks that support new entrants, provide revenue and policy certainty and clearly allocate risk will successfully enable competitive investment, capital and entrepreneurship that will benefit both the grid and the regions in which REZs are located.

Without some of the reforms proposed in this paper which look to level the playing field, incumbent market participants in transmission and their affiliates have an advantage through efficiencies gained in holding existing network infrastructure which can be a barrier to entry for new participants.

ATCO makes this submission as an established and experienced network infrastructure developer, owner and operator in overseas markets, and as a prospective investor and long-term asset owner of transmission assets within Renewable Energy Zones (REZs) in Australia. ATCO generally supports the proposed framework put forward in the Part 5 Policy Paper, and as part of this submission, expresses its interest in the ongoing development of key policy issues via reflection on its experience in overseas markets.

ATCO comments on the proposed network infrastructure framework relate to the following points:

- **Scope of Contestable Activities** – ATCO support the approach taken by the NSW Government to adopt a 'bid' model and recommend an ongoing commitment to ensure that the operation and maintenance of network infrastructure remains as contestable as possible. Although ATCO supports the current model, ATCO are keen to explore how early preparatory work currently the responsibility of the Infrastructure Planner may be expanded into the remit for contestable work for REZ infrastructure over the course of the decade.

- **Eligibility Criteria for Network Operators** – ATCO support the guiding principles to be used by the Department to consider policy positions relating to network infrastructure projects. Where appropriate, criteria for selecting Network Operators should incorporate consideration of the timeliness of project delivery, propensity for network innovation and savings delivered to NSW consumers, as well as social license and community engagement credentials of candidates.
- **Transparency, Lead times and Information Provision** – ATCO recommend that where outcomes of LTES agreement and access right tenders may inform more efficient proposals by short-listed Network Operator candidates, arrangements should be available to share this information with short-listed parties to improve the competitiveness and efficiency of their submissions. Tendering requirement to restrict exclusivity provisions within the available EPC contractor pool, alongside providing sufficient lead time to allow new entrants greater timeframes to determine and assess construction requirements, would also assist new entrants in developing competitive proposals.

Attachment A to this submission expands on these points.

## About ATCO

Established in Canada in 1947 and now a \$22 billion global company, ATCO has a long history of partnering with communities and indigenous groups, energising industries, and delivering customer focussed infrastructure solutions.

With 60 years' experience in Australia - having entered the market in 1961 - ATCO understands the Australian environment and is a trusted, long-term partner of many large and respected Australian companies.

Leveraging a 70+ year legacy of power generation, transmission and distribution networks operation and maintenance in Canada, ATCO has been providing gas-fired power generation in Australia for more than 20 years and is actively investigating investments across the entire energy value chain, including renewable generation, transmission, distribution and storage infrastructure for the national electricity market. ATCO is eager to apply its international expertise and experience in electricity, natural gas, hydrogen, water, storage and structures to its continued operations across Australia.

Experienced in building, owning and operating pipeline infrastructure globally, ATCO has successfully managed the Western Australian natural gas distribution network since 2011, and will apply its global capability and know-how to expand into solutions across transmission, storage and processing. In mid-2020, ATCO was selected, as a partner to rebuild Puerto Rico's electricity system; with a plan to modernise and operate the system for the next 15 years.

ATCO has invested in alternative and renewable energy solutions for 30 years. ATCO will continue to respond to disruption in the energy sector through investing in a range of projects that utilise new technologies and business models to provide energy solutions for a low carbon future. Activities in this area include renewable generation, microgrids, storage and hydrogen.

ATCO is a global leader in providing modular solutions to the community; from regional mining developments through to urban infrastructure development and provides a diverse range of services and products throughout various markets in Australia.

If you have any questions or would like to discuss any of the comments made in this submission, please contact myself or Ollie Tridgell, Manager NEM Energy Policy on [REDACTED]

Yours sincerely



**Ben Bolot**  
Executive General Manager – Business Development

## Attachment A: ATCO's Network Infrastructure Learnings and Experience

### ATCO is an experienced network developer and operator

ATCO has a 70+ year history and deep capability in building, owning and operating reliable and efficient transmission and distribution facilities in Alberta and Canada's North, currently owning and operating more than 87,000km of electric transmission and distribution. Through subsidiaries ATCO Electric Yukon and Northland Utilities, ATCO serves more than 250,000 farm, business and residential customers in 242 communities, as well as serving 1.5 million customers and operating 30,000km of transmission and distribution lines in Puerto Rico through subsidiary LUMA Energy.

As a prospective entrant in the Australian and New South Wales network infrastructure market, ATCO are looking to leverage this experience to share learnings with policy-makers and provide better, more efficient outcomes for electricity consumers and local communities. ATCO has a reputable record in new contestable processes implemented in overseas jurisdictions which mirror 'Network Operator' models proposed in the Part 5 Policy Paper. In these processes ATCO delivered major transmission builds on time with savings for consumers, as well as long-term system maintenance and operation capabilities. Two major projects include:

- **Fort McMurray West - Alberta Power Line**
  - ATCO and its partner, Quanta Services, built the \$1.6 billion Fort McMurray West 500km, 500-kV Transmission Project, leading the way in developing world-class energy infrastructure in North America.
  - In 2013, the Alberta Electric System Operator (AESO) approved a new competitive process for developing large-scale transmission projects. It provides opportunities for interested parties to develop, build, finance, own, operate and maintain certain transmission facilities.
  - The Fort McMurray West 500 kV Transmission Project was the first transmission project assigned through the competitive process.
  - The project was the largest public-private-partnership (P3) bond financing transaction in Canadian history at the time, with total project costs of \$1.6 billion (2019\$) net present cost.
- **LUMA Energy in Puerto Rico**
  - In June 2020, the Puerto Rico Public-Private Partnerships Authority (P3A) selected LUMA Energy (LUMA) – a 50% joint venture between ATCO and Quanta Services - to manage and modernize Puerto Rico's electric transmission and distribution (T&D) system.
  - Puerto Rico constitutes one of the largest U.S. public utilities serving 1.5 million customers, with a network of 30,000km of transmission and distribution lines.
  - The project involves a 16-year contract to operate the T&D system. After the first year, LUMA assumes responsibility for all in-scope operational matters, collaborating with the local workforce and management. This includes utility operations and customer service, disaster recovery and storm-hardening capital programs.
  - This provides ATCO, through LUMA, the opportunity to leverage collective expertise to create a reliable, resilient, affordable and sustainable electricity system focused on providing outstanding customer service to the people of Puerto Rico.

### ATCO's priorities in delivering major transmission infrastructure

In delivering these projects, ATCO had two major priorities which guided its project proposals and the provision of our capabilities. These priorities were:

1. Timeliness, innovation and savings for consumers
2. Social license and community engagement

Both of these priorities were shared by the regulatory frameworks in each respective jurisdiction, and provided ATCO, as both an existing market participant (in Canada) and a new entrant (in Puerto Rico), the opportunity to compete and provide value in a way that delivered efficiencies in the markets we now operate, as well as providing long-term engagement with and benefit to communities that host us.

#### Priority 1: Timeliness, innovation and savings for consumers

As a priority for ATCO as part of the Fort McMurray project, ATCO were able to deliver savings to consumers by implementing bespoke technical solutions and leveraging expertise and proficiency in ongoing maintenance and operation of assets. Examples of this include:

- Implementing innovative and bespoke engineering design uses which better matched the specific regional requirements compared to other approaches, such as fit-for-purpose guyed V towers.
- Delivering more than 3 million worked hours across the course of the project with zero lost time events.
- Completing and energising the project three months ahead of schedule in March 2019, and delivering cost savings for Alberta ratepayers is conservatively estimated to be over \$400 million.
- The project being awarded the 2020 International Edison Award presented annually by the Edison Electric Institute since 1994, which recognises distinguished leadership, innovation and contribution to the advancement of the electric industry for the benefit of all.

In facilitating timeliness, innovation and savings for consumers, ATCO endorse positions put forward in the Part 5 Policy Paper, namely:

- Prescription in guiding principles for use by the Department, namely the timely implementation of projects, preserving existing roles for reliability and system security, addressing key risks and barriers to network investment, and to facilitate appropriate cost and risk sharing arrangements.
- The clear designation of the likely roles and responsibilities of the Network Operator in delivering REZ network infrastructure, to be appointed via competitive market tender.
- Specifying the operation and ongoing maintenance (except system operation) as within the scope of responsibilities of the Network Operator.
- Recommending the Infrastructure Planner to consult to identify and assess potential options to remediate system strength or other issues – including both network and non-network options, particularly those options that fall outside a REZs geographic boundary.
- Identifying scope for the network operator proponents to vary specific aspects of the Infrastructure Planner's model in their proposal, such as the precise schedule of construction works, construction methodologies and some material or equipment used.
- Providing scope for the Network Operator to identify improvements through innovation in design or delivery of the network solution while meeting technical specifications.
- The intent to include incentives for Network Operators to promote economic efficiency as part of the regulated return model.

To support these priorities further, ATCO recommend the consideration of the following:

- Explicit consideration should be given to additional criteria to be considered by the infrastructure planner in appointing a network operator. This should include demonstrated capabilities in ongoing operation and maintenance of assets, and proficiency in incorporating non-network solutions to support minimum system security and system strength requirements in the REZ. In ATCO's experience, the efficient system operation and maintenance of long-term assets is a key aspect in delivering savings to electricity consumers, as well as a means to constructively engage local communities and foster job creation. Further, tender participants that can express capability in effectively incorporating non-network solutions are more likely to support better utilisation of existing projects and facilitate more efficiency energy transfer and system services provision.
- ATCO note the proposal for the Infrastructure Planner to provide preliminary or final recommendations of required network infrastructure to the Consumer Trustee to inform LTES agreement and access right tenders. Where LTES agreement and access right tenders intersect with the short-listing of Network Operator candidates, ATCO recommend information provision and transparency arrangements be adopted to provide Network Operator candidates the best opportunity to incorporate preliminary LTES agreement and access right plans into their proposals. Information relating to likely project locations within a REZ may enable Network Operator candidates to design more efficient, competitive proposals, particularly in areas where it can deviate from the Infrastructure Planner's model, including the precise schedule of construction works, or improvements through innovation in design or delivery of network solutions. Sufficient lead time should also be given to allow new entrants greater timeframes to determine and assess construction requirements, so to develop competitive proposals.
- ATCO support the approach taken by the NSW Government in its adopted contestable model – reflecting a 'bid' model - and recommend an ongoing commitment to ensure operation and maintenance of network infrastructure remains as contestable as possible. However, ATCO recommend the ongoing consideration of a 'sponsor' model, which affords a successful Network Operator bidder opportunity to innovate in route selection and early works, as well as the procurement, build and maintenance of assets. ATCO are keen to explore how early preparatory work currently the responsibility of the Infrastructure Planner may be expanded into the remit for contestable work for REZ infrastructure over the course of the decade, where some participants may be able to bring innovation and provide competitive efficiencies.

## Priority 2: Social License and Community Engagement

ATCO are committed to communities as an organisational priority, and have a long history of being a good neighbour, and an active, engaged partner in the places where we live and work. As part of the Fort McMurray project, we:

- Constructively and proactively engaged with 27 Indigenous communities affected along the route of the project, using local knowledge to help us shape the route as well as implementing a Caribou Protection Program.
- As part of the sale process, we offered Indigenous communities along the route the opportunity to purchase a total of 40 per cent equity stake in Alberta PowerLine Limited, of which this stake is now owned by a combination of seven indigenous communities.

In facilitating effective community engagement, ATCO endorse positions put forward in the Part 5 Policy Paper, including the proposal for the Infrastructure Planner to have regard to promoting effective and appropriate engagement with local communities, including Aboriginal communities, affected by the proposed solutions.

ATCO encourage the explicit inclusion of a track record and proposals for effective community engagement – both in construction and operation – in the assessment criteria for assessing Network Operator proposals.