

Infrastructure Safeguard Policy Paper: Consultation submission form

This form is to be used to provide feedback on a series of questions included in the [Infrastructure Safeguard Policy Paper](#) to help inform the development of the regulations. The Infrastructure Safeguard Policy Paper considers detailed policy options to support Part 6 of the *Electricity Infrastructure Investment Act 2020* (NSW) (EII Act).

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 policy Paper.

Please make your submission by **5pm on Wednesday 27 October** to Electricity.Roadmap@dpie.nsw.gov.au.

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.

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 <input checked="" type="checkbox"/> Organisation <input type="checkbox"/> Other Click or tap here to enter text. |
| Author name | Matthew Parton |
| Organisation | Neoen |
| Author title | State Leader NSW |
| Phone | |
| Email | |
| Stakeholder group | <input checked="" type="checkbox"/> Generation or storage infrastructure provider <input type="checkbox"/> Electricity consumer or representative body |

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| | <input type="checkbox"/> Network infrastructure provider <input type="checkbox"/> Energy retailer <input type="checkbox"/> Government or market institution <input type="checkbox"/> Individual <input type="checkbox"/> Other (please specify) Click or tap here to enter text. |
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Questions

| Questions related to the planning for private sector infrastructure investment | |
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| Question 1: What requirements for stakeholder consultation on the Infrastructure Investment Objectives Report should be implemented to ensure the Consumer Trustee's report is informed by the best available information? | No response |
| Question 2: How should changes in technology, consumer behaviours, customer investment in generation (e.g. distributed energy resources) and demand uncertainty be treated to determine the requirements for large-scale infrastructure investment? | No response |
| Question 3: What assumptions, scenarios or approaches could be prescribed by regulation to encourage an independent Consumer Trustee to make appropriate decisions regarding the treatment of future risks and uncertainties in planning for infrastructure investment? | No response |
| Questions related to policy considerations for LTES Agreements | |
| Question 4: What role could demand response play as 'firming infrastructure' under the EII Act and are any special considerations required in LTES Agreement design? | Demand response is already contracted by AEMO under RERT contracts. There is no reason to separately tender for such contracts. |

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| <p>Question 5: Other than those prescribed in the EII Act, are further LTES Agreement design principles required to support spot, contract and system service market operation and greater consistency across jurisdictional schemes and, more broadly, innovation over time?</p> | <p>No response</p> |
| <p>Questions related to tendering for and recommending LTES Agreements and Access Rights</p> | |
| <p>Question 6: What do you think is important to include in a regulation to define 'outstanding merit'?</p> | <p>The Factors set out in the preamble to the EII Act are key in determining 'outstanding merit', especially Customer Benefit. In the first ACT Wind Auction, outstanding merit in terms of ACT Economic Development was defined as being a pass/fail criterion and only those projects that were within the top 20th percentile on this test moved on to be considered against other criteria in the tender.</p> <p>Neoen suggests a similar test with only those projects within the top 20th percentile on price being considered as having 'outstanding merit' with others being removed from the process at that point.</p> <p>Neoen's view is that all projects within a REZ, whether connecting to the prescribed network or not, should not need to demonstrate outstanding merit to be eligible.</p> |
| <p>Question 7: Are there further matters that should be considered when setting and using REZ access fees?</p> | <p>As currently considered the process around access schemes and access fees is unnecessarily complicated. In Neoen's view REZ Access Fees should not be charged because they will ultimately be passed through to the Scheme Financial Vehicle through an increased Strike Price in an LTESA. If an Access Fee is charged to a participant for connection, then the amount of the Access Fee will always be passed through to the Scheme Financial Vehicle by way of a higher Strike Price in an LTESA.</p> <p>A better approach is to separate connection assets into two categories: prescribed REZ assets and dedicated connection assets, with proponents only paying for their own 'dedicated connection asset' costs. In this scenario Access Rights and any value associated with them are given for 'free' to these proponents if they build dedicated connection assets that connect their project to the prescribed network. Of course, the Access Rights</p> |

are not really 'free' because the value of Access Rights (such as certainty in relation to curtailment) will be passed through to the Scheme Financial Vehicle by way of a lower LTESA price. For example, if Access Rights come with zero curtailment risk, then the owners of such projects will be able to bid in any LTESA tender with a lower rate of return in their business case, or will be able to obtain more debt, with the saving passed through to Scheme Financial Vehicle.

This has the benefit of giving those projects connecting to the prescribed network an advantage ahead of other projects within the REZ (or elsewhere) without the need for a complicated double-counting of costs and benefits; the benefit of access rights is captured in one place – the Strike Price in the LTESA.

In this scenario, the cost of the prescribed infrastructure (including any of the items for consideration listed on page 17 of the discussion document) would be fully paid for by contributions from distribution network business instead of only being partially paid for in this way.

This approach achieves the objectives of Access Fees as set out on page 17 as follows.

| Objective | How this is achieved in a 'zero fee' environment |
|---|---|
| Maximising financial value for NSW electricity customers | Any Access Fee charged will be passed through to the Scheme Financial Vehicle by way of a higher Strike Price. Reducing the Access Fees to zero has a net zero effect on the financial value for NSW electricity customers. |
| Recovering the cost of the operation of the access scheme | Any operation cost charged will be passed through to the Scheme Financial Vehicle by way of a higher Strike Price. Reducing the Access Fees to zero has a net zero effect on the financial value for NSW electricity customers. |

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| | <p>Optimising the use of the existing and planned network infrastructure in the REZ</p> | <p>Reducing Access Fees to zero simplifies the process for connecting parties and is likely to increase the uptake of connections and access rights.</p> |
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Questions related to Infrastructure Safeguard Governance and Controls

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| <p>Question 8: How should stakeholders be engaged in key processes so as to ensure the ongoing success of the Infrastructure Safeguard according to the objectives of the EII Act?</p> | <p>No response</p> |
| <p>Question 9: Where could the regulations provide guidance to the Consumer Trustee in relation to the Risk Management Framework, to increase transparency and confidence for stakeholders?</p> | <p>No response</p> |
| <p>Question 10: When should the Scheme Financial Vehicle enter hedging contracts?</p> | <p>No response</p> |
| <p>Question 11: What capabilities will the Consumer Trustee or Financial Trustee need to manage net exposures under hedging contracts and LTES Agreements?</p> | <p>No response</p> |
| <p>Question 12: What parameters, principles and structures should be regulated to limit net basis risk exposures for consumers?</p> | <p>No response</p> |

Supporting information

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| <p>If you have additional information you would like to provide to support your views, please provide it here.</p> | <p>None</p> |
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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 (select one option only).

☒ **Option 1: Non-confidential submission**

Your submission will be published on the Department's website. Your personal contact information (such as phone number and email address) will be redacted.

☐ **Option 2: Confidential submission**

Your submission will **not** be published on the Department's website. The name of your organisation will be published.

Some confidential submissions **may** be shared with the following entities:

- the Australian Energy Market Operator, Energy Security Board, Australian Energy Market Commission, Australian Energy Regulator, Independent Pricing and Regulatory Tribunal or the Australian Competition and Consumer Commission
- TransGrid, the Clean Energy Finance Corporation or the Australian Renewable Energy Agency or distribution network service providers
- the entities appointed or to be appointed under the EII Act (Consumer Trustee, Financial Trustee, Scheme Financial Vehicle and Regulator).

☐ **Option 3: Anonymous and confidential submission**

Your submission will **not** be published on the Department's website. The name of your organisation will **not** be published.

Your submission will **not** be shared with the with the following entities:

- the Australian Energy Market Operator, Energy Security Board, Australian Energy Market Commission, Australian Energy Regulator, Independent Pricing and Regulatory Tribunal or the Australian Competition and Consumer Commission
- TransGrid, the Clean Energy Finance Corporation or the Australian Renewable Energy Agency or distribution network service providers
- the entities appointed or to be appointed under the EII Act (Consumer Trustee, Financial Trustee, Scheme Financial Vehicle and Regulator).

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.

The Department may disclose confidential information provided by you to the following parties:

- NSW Government departments, NSW Ministers and Ministers' Offices
- the NSW Ombudsman, Audit Office of NSW or as may be otherwise required for auditing purposes or Parliamentary accountability
- other parties where authorised or required by law to be disclosed.

Where the Department discloses this information to any of these parties, it will inform them that the information is strictly confidential. The Department may publish or reference aggregated findings from the consultation process in an anonymised way that does not disclose confidential information.

We may be required to release the information in your submission in some circumstances, such as under the *Government Information (Public Access) Act 2009*.

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