

30 April 2021

NSW Department of Planning, Industry and Environment
CWO REZ Access Scheme Consultation

Via email: rez@planning.nsw.gov.au

Re: Central-West Orana Renewable Energy Zone Access Scheme Issues Paper

Spark Infrastructure provides long-term capital to support investment in a reliable and affordable low emission energy system. We currently have interests in \$18 billion of electricity infrastructure assets, delivering energy to more than 5 million customers across the National Electricity Market (**NEM**). Most relevantly to this review, these interests include a 15% interest in TransGrid, the electricity transmission network in NSW, as well 100% ownership of the Bomen Solar Farm in NSW. We also have a 49% interest in SA Power Networks, the electricity distribution network in South Australia and two Victorian electricity distribution networks; CitiPower and Powercor.

We are pleased to have the opportunity to contribute to the NSW Department of Planning, Industry and Environment's (**DPIE's**) Issues Paper on the Access Scheme to apply in the Central-West Orana (**CWO**) Renewable Energy Zone (**REZ**) because we support the much-needed investment in transmission and generation to transition to a low cost, low emission electricity system. We are also actively seeking to invest in additional renewable generation where it is commercial. The access regime can better support the planning and certainty of investment in the shared and private transmission network in a REZ and improve the commerciality and timely delivery of new generation projects.

We agree with the evaluation criteria outlined in the paper, and consider that the Limited Physical Connection Access Model (**LPCAM**) is preferred because it:

1. Is more likely to result in actual investment in REZ network and generation.
2. Is simpler and can be implemented within the timeframes required.
3. Reduces the risk and likelihood of subsequent activity increasing congestion and losses.
4. Better supports coordination of connection and ancillary services that can reduce costs.
5. Facilitates connection of storage where it is efficient for storage to locate in the REZ.
6. Provides tangible information to support timely and efficient investment in the shared network reducing the impact of access issues on that network.
7. Provides optionality for future refinements such as trading that can improve efficient utilisation.

If designed correctly, the development of REZs should improve the coordination of transmission and generation investment as the power system transitions away from coal-fired generation. Importantly, REZs should also lower overall system costs in the long-term interests of electricity consumers, by averting future congestion in the network and allowing for timely, coordinated investment.

The LPCAM should be preferred to the Financial Compensation Access Model (**FCAM**) because it is more contractable. This model provides more certainty and greater ability to assess future risk as well as more tangible and reliable information to support appropriate, efficient, and timely network investment in the REZ and shared system that will reduce congestion and loss issues over time.

Most importantly, given the NSW government timeframes, the limited physical connection access model is more likely to result in projects being built and can be implemented within the timeframe.

The following sections comment on the design issues identified in the Issues Paper.

Utilisation can be addressed over time including through a trading scheme

In assessing the access models, priority should be given to a model that is more likely to result in the REZs being built. An access model that might have theoretically superior utilisation outcomes but does not deliver network or generation investment will not achieve the government's objectives. The LPCAM provides optionality for future refinements that can improve utilisation and support additional connection, including storage. Efficient utilisation of the network can be monitored and addressed over time when and if it becomes an issue.

We remain unconvinced that financial access rights or compensation models will reduce the cost of capital sufficiently to offset the additional cost and complexity of those schemes. So even if a financial scheme has potential to improve utilisation, it may not reduce overall costs to consumers.

The concerns about ongoing utilisation under a LPCAM can be mitigated by the proposal to oversubscribe a REZ (compared to the nameplate capacity on which rights are allocated) if the level of oversubscription is set at the outset and monitored and maintained with each new connection. However, specifying the mix of technologies that will be granted rights to the REZ would provide an artificial overlay that could reduce efficient allocation and use of the assets.

Secondary trading could enhance the utilisation of REZ assets, particularly if markets result in the availability of 'modular' rights that can be bought in packages to match the shape required by a particular technology. A trading platform would facilitate the efficiency of these transactions. However, the benefits of trading to improve utilisation could be undermined by 'use it or lose it' provisions.

The LPCAM facilitates efficient provision of system strength and storage

We support system strength being managed on a REZ basis to ensure the service received by connecting generators is consistent with rights and incorporated in coordination and assessment of new connection requirements. However, we consider that it is more efficient and effective for system strength generally to be provided by the transmission network service provider (**TNSP**), including in the REZ.

Under a LPCAM, new connections are assessed and designed based on the impact on the system and other generators. Therefore, where storage provides benefits in terms of congestion, losses or system strength, the connection costs will reflect this and support efficient connection of storage. This model will also support the use of storage by TNSP to reduce the costs of augmenting transfer capacity.

The LPCAM minimises future risk

Assessing future risk under a financial compensation scheme is difficult and complex because it requires assumptions about the behaviour of others in the future and the potential impact on compensation. Further, although financial compensation may be provided based on congestion and dispatch, it will not compensate or reduce marginal loss factor (**MLF**) risk. Under a LPCAM, the impact of future actions by others are limited so there is a much narrower band of potential outcomes to be assessed and managed.

The LPCAM enables practical and commercial issues to be resolved with certainty because generators can better understand, specify, value, and enforce the service agreement and rights. This will be more likely to deliver the required capacity and system strength needed, in both the REZ and shared transmission system, to underpin the contracted rights.

Arguably, it is congestion in the shared transmission system that has necessitated the development of REZ's and bespoke access arrangements. Therefore, an access scheme that provides information that can be relied on in planning, regulatory and investment decisions is also more likely to support right sizing of the system so that both congestion and access issues become less prominent in future investment decisions.

I would be happy to discuss these matters further and can be contacted on [REDACTED].

Yours sincerely,

A handwritten signature in black ink, appearing to read "Sally McMahon".

Sally McMahon

Head of Economic Regulation and Energy Policy