

3 May 2021

## Re: CWO REZ Access Scheme Issues Paper

Flow Power welcomes the opportunity to make a submission in response to the NSW Dept. Of Planning, Industry and Environment's Issue Paper.

Flow Power is a licenced electricity retailer that works with business customers throughout the NEM. Our model aims to give customers control over their energy costs through dynamic energy pricing that rewards flexible energy use. Customers can manage price volatility through physical or financial tools, including:

- A physical hedge in the form of a demand response or onsite generation (supported by our energy management systems).
- A financial hedge may include purchasing financial hedges from markets such as ASX Energy Futures or entering into a PPA with generators.

Our unique PPA model, Virtual Generation Agreement, plays an important role in supporting the development of large-scale renewables by providing price certainty and confidence to investors, and at the same time creating a product for business customers to access low electricity prices and take control of their energy costs.

## Overview

One of the key challenges for the NEM is determining how the transmission network is planned, built and used in a manner that minimises costs imposed on customers, while also enabling the transition to a power system dominated by renewables.

As Australia decarbonises, the NEM will need to become a power system characterised by renewable generation, a dynamic demand side and firming technologies. While we've observed a strong appetite for continued investment in these resources, significant upgrades to the network will be needed to facilitate and support this transition. As such, we are supportive of NSW's plans to develop transmission infrastructure needed to facilitate the continued transition to a renewable power system.

The key points we would like to make in response to the consultation paper are:

- + **The critical issue is the development of transmission infrastructure.** The long lead times on developing new transmission projects under the current regime is proving to be one of the most significant challenges for developing new supply. Renewable energy zones can play a key role in reducing the time taken to develop new network capacity needed to enable new source of renewable and firming supply.

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- + **The existing access framework has advantages.** While we acknowledge there are challenges under the current transmission access framework, the status quo does have locational incentives through the allocation of loss factors. The status quo also supports a liquid hedging market between generators and customers because there is a common regional price. Moving to a more complicated access framework, even just within a REZ, will significantly increase the operational and regulatory complexity while also adding costs, all of which will have the greatest impact on smaller market participants.
- + **There is a cost when increasing complexity.** Proposals that introduce secondary settlement processes, and novel access frameworks within a specific part of the transmission network will bring a significant increase in the level of complexity associated with locating within that REZ. These complexities are likely to be disproportionately borne by smaller participants, resulting in barriers to entry and diminished competition amongst project developers, generation owners and retailers.

We have provided further comments below on our preferred option for access to a REZ.

### Potential for no access scheme for congestion

Given the risk of unintended boundary effects, and high-levels of complexity associated with new access frameworks, there may be utility in continuing to explore lighter touch frameworks for coordinating generation within a REZ. It is possible to have a REZ access framework that does not consider ongoing localised access arrangements for connecting generators.

There are other benefits to being connected within a REZ that would lead to prospective generators tendering for access. Those who successfully tendered to connect to the REZ would see benefits with regards to sequencing, and the economies of scale with respect to the technical requirements for inverter-based connections. For example, the auctions could focus on opportunities to develop system strength for a REZ in-line with the AEMC's proposed approach to managing system strength.

Therefore, it would be possible to allow market participants to tender for connection rights within a REZ without an access framework. Not having congestion protection may seem like a relatively low level of advantage to be provided to generators who have funded a REZ. However, delays and costs associated with these technical matters have proven very challenging for connectors in the shared network, and being able to quickly avoid them entirely could alone prove a substantial incentive to contribute to REZ costs.

This would likely diminish the tender auction revenue, but would be more consistent with the status quo, reducing complexity and unintended boundary effects between a REZ and the rest of the shared network. This would improve the competitiveness of the tender for REZ capacity.

If you have any queries about this submission, please contact me on [REDACTED] or at [REDACTED].

Yours sincerely,

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Flow Power