



AGL Energy Limited

T 02 9921 2999

F 02 9921 2552

[agl.com.au](http://agl.com.au)

ABN: 74 115 061 375

Level 24, 200 George St

Sydney NSW 2000

Locked Bag 1837

St Leonards NSW 2065

Alex Oeser  
Senior Adviser  
Australian Energy Market Commission  
60 Castlereagh Street  
Sydney NSW 2000

18 March 2021

Dear Alex

### **Financeability of ISP projects (TransGrid & ElectraNet) ERC0320 & ERC0322**

AGL Energy (AGL) welcomes the opportunity to comment on the Australian Energy Market Commission (AEMC) financeability of ISP projects draft determinations.

AGL is one of Australia's leading integrated energy companies and the largest ASX listed owner, operator, and developer of renewable generation. Our diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources. AGL is also a significant retailer of energy and provides energy solutions to over 3.6 million customers in New South Wales, Victoria, Queensland, Western Australia, and South Australia.

AGL agrees with the AEMC view that there is currently no barrier in the regulatory framework to TransGrid and ElectraNet financing their share of actionable ISP projects, including Project Energy Connect (PEC), and we therefore support the draft rule determination not to make the proposed rules. The draft determination includes many compelling reasons why the participant derogation is unnecessary, which are consistent with AGL's view as outlined in our submission to the initial consultation paper. We agree that the 60% debt 40% equity ratio of a 'benchmark efficient entity' is not a prescriptive requirement for a TNSP and therefore an inability to achieve this ratio is not a reason to introduce the proposed rules. We also agree that the proposed rules will increase costs for consumers in the short term, despite leading to a benefit which will mostly accrue over the long term, and that this will lead to a misallocation of costs to consumers.

The draft determination notes that irrespective of the outcome of the rule change process there is a risk that TransGrid and ElectraNet might not go ahead with PEC, and that there would therefore always be a risk that the benefits from this project would not be realised. The AEMC considers this is likely to be a business decision and not a consequence of a failure of the regulatory framework. We agree with this assessment and consider that this factor provides a sound basis for the suggestion from the AEMC and other market participants that an alternative and potentially more preferable approach to ensure ISP projects are financed may include making financing and construction of new ISP investments contestable. We therefore support the AEMC's decision to commence a broader review, together with the other market bodies, to consider options to support the delivery of large transmission projects given recent developments in the implementation of ISP projects and Renewable Energy Zones.

If you have any queries about this submission, please contact Anton King on (03) 8633 6102 or [aking6@agl.com.au](mailto:aking6@agl.com.au).

Yours sincerely,

Chris Streets

Senior Manager Wholesale Markets Regulation