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AGL Response to offshore renewable energy infrastructure area proposal

AGL Energy (**AGL**) welcomes the opportunity to comment on the offshore renewable energy infrastructure area proposal for the Bass Strait off Gippsland.

AGL is a leading integrated essential service provider, with a proud 185-year history of innovation and a passionate belief in progress – human and technological. We deliver 4.2 million gas, electricity, and telecommunications services to our residential, small, and large business, and wholesale customers across Australia. We operate Australia's largest electricity generation portfolio, with an operated generation capacity of 11,208 MW, which accounts for approximately 20% of the total generation capacity within Australia's National Electricity Market (**NEM**). We have the largest renewables and storage portfolio of any ASX-listed company, having invested \$4.8 billion over two decades in renewable and firming generation.

AGL understands the importance of supporting a range of technologies with complementary functions in the transition from traditional fossil fuel-based power generation to a fully decarbonised grid.

In our inaugural 2022 Climate Transition Action Plan (CTAP) under the Say On Climate initiative, we clearly state AGL's updated ambition to become an integrated low-carbon energy leader, including commitments to:

1. Exit all coal-fired generation by the end of 2035 (up to 10 years earlier than previously announced).
2. Ambition to meet customer energy demand with 12 GW new firming and renewable assets by 2036.
3. An interim target of 5 GW new firming and renewables by 2030.

AGL has committed to repurposing its large thermal generation sites into low carbon industrial Energy Hubs. Our industrial Energy Hubs at Loy Yang, Torrens Island and in the Hunter will bring together renewable energy production and storage with energy-intensive industries, centred around a shared infrastructure backbone. This existing infrastructure backbone may also play a role in offshore wind developments.

Our plan recognises that a balance needs to be struck between responsible transition and rapid decarbonisation to keep Australia's electricity supply secure, reliable, and affordable – principles that are equally relevant for the establishment of Australia's offshore wind industry.

Supporting an ecosystem of renewable energy options

Offshore wind and other offshore renewable generation are advantageous in terms of generation capacity and land footprint, especially in a comparatively land-constrained state like Victoria.



The amount of new transmission and generation infrastructure required to decarbonise Australia's electricity system is very significant, requiring the coordinated delivery of hundreds of complex projects over several decades. Development of this scale, especially in new locations and on accelerated timeframes, may present challenges in obtaining social licence from local communities and meeting the requirements of environmental and other planning regulations.

While offshore development may help to alleviate these concerns, it is important to recognise that there are still important social licence, environmental, and other planning considerations for large offshore projects to meet, and that offshore projects should therefore be viewed as complementing rather than replacing the development of new onshore projects to support the energy transition.

While we recognise that emerging technologies like offshore wind may require some initial government support to unlock scale and private investment, the long-term funding of new technologies like offshore wind should not see the technology subsidised to the extent of freezing investment in other, comparatively cheaper onshore generation options to ensure the lowest cost decarbonisation pathway is achieved.

Facilitating the approvals process

The level of complexity, time and investment involved in developing offshore wind projects is likely to be immense. Projects should be judged on their performance against merit criteria and not the lead time they have had ahead of the area being declared an offshore renewable energy infrastructure area. In order to preserve competition in the industry, state and national governments should facilitate the approvals processes involved where possible to avoid favouring well-advanced projects and deterring new market entrants. This would ideally involve clearly spelling out the processes and timelines for obtaining the necessary approvals and providing a communication channel for queries from proponents.

Considerations for shared transmission infrastructure in the Gippsland area

We understand that this consultation is seeking feedback on the proposed offshore area in Commonwealth waters, however, we see a direct link between the number and scale of projects approved in the offshore area and congestion with transmission infrastructure and the grid connection point in the Latrobe Valley.

Key considerations which could cause congestion affecting system security and individual project success include:

- The total number of offshore projects.
- The scale of individual offshore projects.
- Planned transmission upgrades.
- Timing of project connections and network upgrades.
- Connection of onshore RE projects in the area.

This will need to be carefully considered in consultation with project proponents and state government and should draw from the experience of recent challenges with connection issues experienced to date with onshore renewable energy projects, acknowledging that high throughput of projects without augmentation to transmission lines and associated infrastructure could pose system security risks.



The Australian Government could facilitate industry development by being transparent about the number of licences and corresponding planned capacity so that project proponents can make informed, strategic decisions. This should provide critical information about the likely congestion in the area which could factor into project business cases. Government could also consider coordinating transmission planning through a central planning authority to achieve economically efficient outcomes for industry.

We would also suggest taking lessons from the UK offshore wind rollout where possible, particularly to build in system efficiencies. Future scale and interconnection of offshore farms should be considered in the build out of transmission infrastructure (e.g. the expansion to future floating offshore wind farms further offshore) to minimise disruption to local communities that excess point to point connections could cause and for cost efficiencies. We are aware that offshore transmission infrastructure is being proposed as a future option to connect projects, reducing onshore footprint. This could be a consideration for offshore connection, potentially located in Commonwealth waters.

Interaction between state and federal policy

The development of Australia's offshore wind industry is likely to involve close coordination between federal and state governments, AEMO and the AEMC. We would welcome any information on REZ developments as it arises, particularly relating to how the rewiring the nation policy will interact with VicGrid's roll out of REZ development in the Gippsland region to support offshore wind coming online.

The proposed area off the coast of Gippsland is the first of what could be many offshore renewable energy infrastructure areas in Australia and therefore provides an important precedent for areas where project plans are not as well advanced. While some proponents in the Gippsland area have had time to plan and develop their business cases in consultation with government, the current consultation process must also consider how areas of offshore potential with less advanced projects could also be most effectively progressed.

If you have any queries about this submission, please contact Aleks Smits (Senior Manager Policy) at asmits@agl.com.au.

Yours sincerely,

Chris Streets

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