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Central-West Orana Renewable Energy Zones Draft Access Scheme Declaration

AGL Energy (AGL) welcomes the opportunity to comment on the NSW Government Office of Energy and Climate Change Central West Orana Renewable Energy Zone (CWO REZ) Draft Access declaration.

About AGL

AGL is a leading integrated essential service provider, with a proud 184-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.

Access right and scheme design

AGL supports the choice of a limited physical connections model, with a single tier of access rights, since it is the simplest form of access, aside from open access which is not possible given the legislated requirement for an access scheme.

We consider the change to an access right duration of 20 years rather than 15 years to be unnecessary to achieve the objectives of the access scheme and given the certainty provided to investors by the Long Term Energy Service Agreements (LTESAs). While short to medium term certainty of access may encourage investment and discourage inappropriate investments, long term certainty is too much of a departure from the normal functioning of a market and will raise barriers to entry and undermine the normal ability of the market to replace investments that prove inefficient. A 20 year term risks locking in inefficient investments to the detriment of the market and ultimately consumers. This is particularly concerning given the pace of the transition, including the rapid technological developments likely to occur. We suggest the REZ should be designed to be able to evolve with the transition, and that shorter access rights durations would allow this.

AGL supports increasing the target transmission curtailment level for the initial term to 4.37% rather than the initial indicative level of 0.3% and agree that it will deliver improved consumer outcomes by increasing network utilisation. We suggest that an even higher cap should be explored to drive even further network utilisation for the benefit of the consumers who will be paying for the new network infrastructure. While it may be possible to lower the cap once investors are committed, since it should not cause them any detriment, increasing the cap once investors are committed would create significant uncertainty as it may increase their exposure to congestion. For all these reasons we also support the higher 5.84 GW aggregate maximum capacity cap and consider it will lead to more efficient outcomes than the initial indicative cap of 3.69 GW.

We support the inclusion of an allowance for the Infrastructure Planner to elect to implement capacity profiles (rather than flat 24 hour profiles) but suggest the consultation period should be at least six weeks rather than four.

Allocation approach

AGL supports the inclusion of an exhaustion threshold in the declaration so that an allocation can be deemed exhausted at a level below the aggregate maximum capacity cap. We consider this to be sensible



given the sometimes blocky nature of generation investments, and the need to deem an allocation exhausted before options to augment capacity are considered.

We strongly support the final design position that standalone short duration storage projects will be eligible to participate in the initial allocation alongside generation projects, given the importance of flexible capacity in supporting renewable investment and providing supply in peak periods.

Access control mechanism

AGL supports the decision to have no access control mechanism for the CWO REZ as we do not consider it necessary to restrict projects that seek to connect to existing declared network infrastructure that does not form part of the intended network capacity of the REZ. The LTESAs and the aggregate maximum capacity cap will together ensure that REZ investments are adequately de-risked without the need for restricting projects connecting to infrastructure that is not part of the intended REZ network capacity.

Access fees

AGL does not support network access fees since network infrastructure costs are more efficiently recovered directly from the consumer rather than indirectly through impacting a generator's costs. We therefore consider the quantity of fees should be the minimum required by the legislation. There is no benefit for consumers if generators are faced with larger access fees since these fees will be passed onto consumers regardless. There is however potential detriment, as the fees raise barriers to entry since they represent a cost which is not faced by other generators in the NEM. We do not consider the fact that REZs primarily exist to deliver additional generation capacity rather than to improve the transmission network more broadly is justification for imposing transmission access fees because delivering additional capacity (even if sometimes indirectly) is the only purpose of network investment.

System strength provision

We suggest the method for calculating system strength charges should be the same as the new system strength mechanisms development by the AEMC and intended for application across the NEM.

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

Yours sincerely,

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