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Dr Kerry Schott AO
Chair
Energy Security Board
By email: info@esb.org.au

8 September 2020

Dear Dr Schott

AGL Response to Consultation Paper and Draft Rules – Interim REZ framework

AGL Energy (AGL) welcomes the opportunity to comment on the Energy Security Board Renewable Energy Zones Planning consultation paper.

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.

Our ability to provide feedback on the step 1 REZ planning rules discussed in this consultation paper is limited as the step 2 REZ development policy framework has not commenced. Without knowledge of how the ESB proposes to address REZ implementation (including the allocation of costs) in step 2, it has been difficult for AGL to form a definitive view on the various aspects of this consultation. This applies to all aspects of the consultation, but in particular as to whether the step 1 REZ planning arrangements should be permanent, which will also depend on the implementation of the COGATI framework.

While the preparatory activities required as part of the REZ design report include some activities related to investigating the cost and benefits of REZ stages, we suggest the rules should include a specific requirement for a cost-benefit analysis which assesses the proposed REZ (or REZ stage) and any non-network options. This would limit the risk of a REZ which is not to the ultimate benefit of consumers being subject to the costly RIT-T process. Under the draft rules, the consideration of non-network options in the REZ design report by the jurisdictional planner is only optional. We suggest the rules be modified to include a specific requirement on the jurisdictional planner to consider any non-network options, to ensure that low cost alternatives are given proper consideration. We anticipate that this may be particularly relevant to a later REZ stage.

The development of a REZ may have a significant effect on other generators located outside the boundary of the REZ, for example through changing transmission constraints or impacting system security, we therefore suggest the proposed rules include a specific requirement that the REZ design report outline the likely impact on generators located outside the REZ. This would ensure that if the REZ (or a REZ stage) is likely to increase congestion or impact system security anywhere on the network it would be identified in the REZ design report and be appropriately reflected in both the cost-benefit analysis and allocation of costs.

The draft rules require the jurisdictional planning body and AEMO to cooperate and consult with each other, but do not include a similar requirement for bilateral cooperation and consultation with



respect to the TNSP. We suggest the rules should be amended on this basis, to ensure cooperation and consultation with the TNSP is required even when the TNSP is not the jurisdictional planner.

We suggest the proposed rules provide further guidance on planning arrangements and REZ design report requirements for a REZ which may extend across NEM regions, including the appropriate allocation of responsibilities between jurisdictional planning bodies. This would ensure that investment planning uncertainty is not increased when an optimal REZ location spans more than one NEM region.

If a REZ design report is initiated outside the ISP, for example by a state government, we suggest that that REZ design report should still be subject to the same rules considered under this consultation.

Yours sincerely,

Chris Streets

Senior Manager Wholesale Markets Regulation

