

12 February 2021

Dr Kerry Schott AO
Energy Security Board

Via email: info@esb.org.au

Dear Dr Schott

RE Renewable Energy Zone Implementation

TasNetworks welcomes the opportunity to respond to the Energy Security Board's (**ESB**) Renewable Energy Zone (**REZ**) Implementation consultation paper.

TasNetworks is the Transmission Network Service Provider (**TNSP**), Distribution Network Service Provider (**DNSP**) and Jurisdictional Planner in Tasmania. TasNetworks is also the proponent for Marinus Link, a new interconnector between Tasmania and Victoria. The focus in all of these roles is to deliver safe, secure and reliable electricity network services to Tasmanian and National Electricity Market (**NEM**) customers at the lowest sustainable prices. TasNetworks therefore supports coordinated development of variable renewable energy (**VRE**) as an efficient way to facilitate the energy transition at the lowest cost to consumers.

TasNetworks' supports Energy Networks Australia's (**ENA**) submission and would like to make several further comments from a Tasmanian perspective.

Alternatives to Rule-based REZ development

Nationally consistent Rules are one solution for delivering coordinated development of VRE. Recent State based initiatives to support REZ development demonstrates there are other alternatives. In Tasmania, particularly when hosting capacity in the network and quality VRE sites coincide, as is the case in Central Tasmania, it may be that the complexity of the proposed REZ arrangements is not required. A simpler grid connection process may be sufficient, with system security supported by new mechanisms like the proposed system strength mitigation requirement, when required. Tasmania currently has a lower penetration of VRE, allowing for the adoption of lessons learned from grid connection of VRE in other jurisdictions. TasNetworks therefore supports a level of optionality in the application of proposed REZ Rules to allow for jurisdictional specific considerations.

Limited nature of the REZ access protections

For the transition to greater VRE to be successful, the grid needs to change while safeguarding system strength. The Integrated System Plan supports part of this transition by seeking to ensure the optimal transmission network is built. What is also necessary is transmission access reform so that the transmission network (both existing and new) is used as effectively as possible over the coming years.

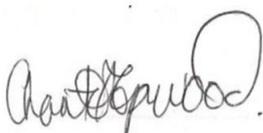
With the introduction of locational marginal pricing and financial trading being deferred, and the proposed introduction of dedicated network assets limited to radial configurations, reform is still required for access to meshed transmission infrastructure. TasNetworks is pleased to see this being addressed through the REZ access framework, but is concerned about the speed of the reform. TasNetworks' general comment would be that the options to address this difficult question of access protection require more detail and analysis before they can be fully assessed.

In particular, the Consultation Paper in section 5.5 recognises the access models are limited in that, "generators that choose to connect outside the REZ would avoid the cost of the access rights or the compensation payments that would be required if they connected within the REZ. In turn, this would reduce the benefits to the REZ generators of holding the rights ... and the price that REZ generators are willing to pay for those protections". TasNetworks suggests that now is the right stage of development of the REZ framework to take the time to establish to what extent the limited nature of REZ access protections may undermine the models. At a minimum, we would propose cost benefit analysis to ensure that demand for REZ access leads to meaningfully positive bids in the proposed tender processes for REZ access rights.

TasNetworks reiterates ENA's view that it would be inappropriate to regard the access arrangements for REZs as a 'stepping stone' to a national access regime. Instead, it is more appropriate to regard the REZ access framework as 'an interim solution' that may or may not be superseded by a national access framework at some future date. A deeper understanding of the impact of the both the application of the alternative access models and the limited nature of REZ access protections is all the more important if the 'interim solution' remains in place for an extended period.

Should you have any questions, please contact Jenny Cosgrove, Regulation and Policy Specialist, via email on jenny.cosgrove@tasnetworks.com.au or by phone 03 6271 6187.

Yours sincerely



Chantal Hopwood
Leader Regulation