

8/09/2020

Dr Kerry Schott AO  
Independent Chair  
Energy Security Board

Lodged via email: [info@esb.org.au](mailto:info@esb.org.au)

Dear Kerry

### **TransGrid response to the Renewable Energy Zones – Planning consultation paper and draft rules**

TransGrid welcomes the opportunity to respond to the Energy Security Board's (**ESB's**) stage one consultation paper and draft rules regarding planning arrangements for Renewable Energy Zones (**REZs**).

TransGrid is the planner, operator and manager of the high voltage transmission network connecting electricity generators, distributors and major end users in New South Wales and the Australian Capital Territory. TransGrid's network is also interconnected to Queensland and Victoria, and is instrumental to an electricity system that facilitates competitive low cost electricity supply for consumers.

Australia is in the midst of an energy transition. The implementation of REZs is critical to facilitate this transition in the lowest cost way for consumers. The benefits of scale efficient transmission and associated infrastructure to open new areas of high value renewable energy resources are well established and articulated in the ESB's consultation paper.

TransGrid is well placed to comment on the proposed changes, given its experience progressing early stage technical planning work on the Central-West Orana REZ and New England REZ in its role as jurisdictional planning body (**JPB**) in New South Wales.

Planning for REZs requires a number of unique tasks additional to traditional transmission planning. These include ensuring efficient coordination of transmission and generation, as well as adequately accounting for government and community priorities relating to a broader footprint than traditional transmission development. There is currently no clear responsibility in the rules for these unique planning requirements. Accordingly, TransGrid strongly supports the work of the ESB in developing a special planning regime for REZs that will promote a more considered and efficient overall development of REZs across the National Electricity Market.

TransGrid supports the approach proposed by the ESB. It represents a pragmatic and sensible approach to the task of planning REZ infrastructure that:

- > is effectively embedded into existing transmission planning arrangements, and
- > includes appropriate governance structures, roles and responsibilities.

TransGrid's further comments on the proposed arrangements are set out in the sections below.

#### **Flexible and fit for purpose arrangements**

The ESB has proposed rules creating special planning arrangements for REZs, where:

- > AEMO identifies REZs in its bi-annual Integrated System Plan (**ISP**)
- > the JPB prepares a REZ design report, (including preparatory activities and consultation with communities and generators), and

- > based on those reports, subsequent ISPs identify specific REZ stages as 'actionable' or 'future' ISP projects.

In TransGrid's view, each REZ will have unique circumstances and challenges. Circumstances that can vary include the timing, size and scope, level of government support, and the nature of the infrastructure and system services required for successful delivery and operation. To account for this, the planning arrangements for REZs should be flexible and enable fit for purpose approaches to the planning for each REZ.

Flexibility is required to enable the JPB to perform its planning functions for REZs in a way that is able to accommodate the potential desire of Government to lead on some planning roles. This could include, for example, Government leading on generator or community engagement. The proposed changes should explicitly allow such roles undertaken by Government to fulfil the JPB's obligation to consult. This would prevent an outcome where aspects of consultation with communities and generators is duplicated, impacting the quality of that consultation.

Flexibility is also required to allow the JPB to undertake consultation in a manner that is appropriate to the circumstances of the REZ. The proposed arrangements include a requirement for four weeks of public consultation. This prescriptive approach may not be appropriate or necessary if the timing of the REZ is uncertain or remote, or if the REZ is unlikely to proceed due to technical, commercial or political factors outside of the JPB's control. The proposed changes should require rigorous consultation, while allowing discretion in how that consultation is conducted. When determining the appropriate form of consultation, the JPB should be required to consider:

- > the timing of the REZ,
- > a prima facie technical and commercial analysis of the REZ, and
- > the level of Government support for the REZ.

### **Holistic approach to planning**

Any new planning arrangements should allow practical and holistic solutions to implement REZs in a manner consistent with the need for a secure and reliable grid. A REZ design report should therefore explicitly include a plan for the system security services needed to facilitate the REZ, such as system strength and voltage control services. The coordinated and scale efficient provision of these services will reduce overall system costs for consumers.

REZ planning and implementation should also account for the need for clear governance and responsibilities to ensure a secure and reliable power system. In most jurisdictions, the incumbent transmission network service provider is tasked by state Government with maintaining a safe, secure and reliable network. Arrangements for REZs should not inhibit the performance of these obligations, which could occur if third party ownership or operation were to proliferate.

More details are required to properly assess the interaction between these planning arrangements and the arrangements for investment and implementation of REZs that are proposed by the ESB. Notably, any arrangements for the planning and implementation of contestable assets within a REZ should be carefully considered. Arrangements should ensure contestable asset design and specification, as well as the ultimate ownership and operation, is consistent with technical standards required to maintain a secure and reliable power system.

### **Clear and appropriate cost recovery**

The rules should allow jurisdictional planners to recover the efficient costs of preparing REZ design reports in the current and future regulatory control periods. The ESB currently proposes that the JPB should recover their efficient costs of preparing REZ design reports:

- > through a pass-through application (for the current regulatory control period), or
- > through their operating expenditure allowance under their revenue determination (for future regulatory control periods).

TransGrid supports this approach to cost recovery in principle, but considers that clarification is required in order for this cost recovery approach to operate as intended. To achieve the intended approach two matters should be clarified in the proposed rule changes:

- > First, the new rules should provide that, if an ISP specifies that a REZ design report must be prepared, such specification constitutes a “change to a regulatory obligation or requirement” for the purposes of the definition of “regulatory change event”. Without this change it will be unclear if a regulatory change event can be triggered for a current regulatory period in respect of its costs of preparing REZ design reports.
- > Second, the AER should be required to publish guidance on how it wishes TNSPs to approach forecasting of the costs of preparing REZ design reports in their revenue proposals. This change is needed ensure a clear and consistent approach to account for the uncertainty in the number and scope of REZ design reports that may be required by ISPs published after the revenue proposal is made and before the end of the regulatory control period.

We appreciate the opportunity to make this submission. If you have any queries, please do not hesitate to contact me.

Yours faithfully

Eva Hanly

**Executive Manager, Strategy, Innovation & Technology**