

ENERGY SECURITY BOARD

INTERIM FRAMEWORK FOR RENEWABLE ENERGY ZONES

7 MAY 2020



WEBINAR PURPOSE & LOGISTICS




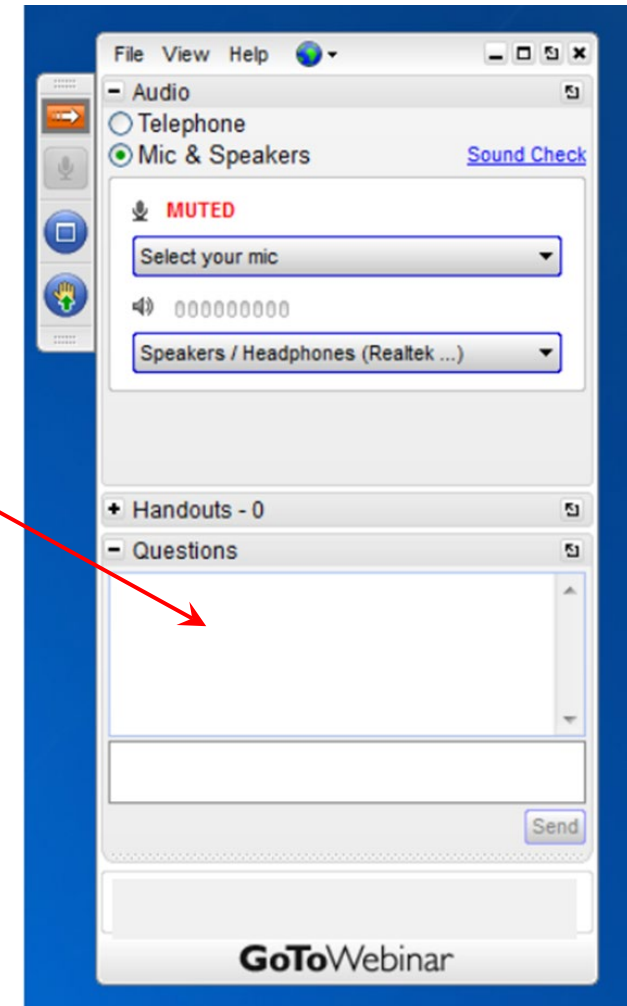
WEBINAR PURPOSE / OBJECTIVE

- To inform stakeholders about interim Renewable Energy Zone framework and proposed consultation process;
- Understand key areas of stakeholder interest and concerns with the content and/or approach; and,
- Identify related matters that may need to be addressed.



WEBINAR-WORKSHOP LOGISTICS

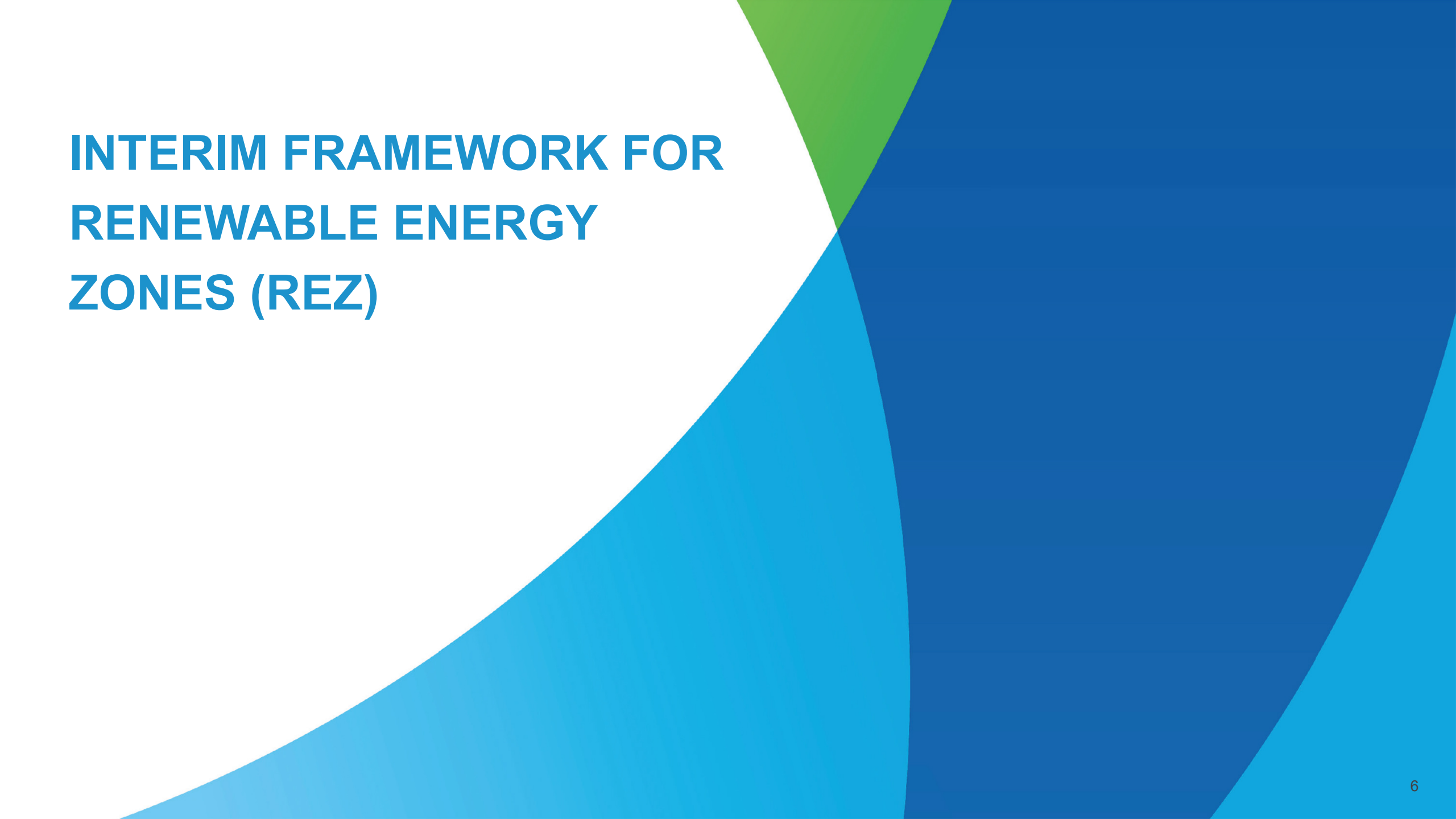
- All participants are currently in listen-only mode
- We will pause at the end of each page where you see the  symbol to answer questions. Please:
 - Type your questions here as we proceed through the content (double-check before sending); and/or,
 - Use the *Raised Hand* to signal that you would like to speak when we open the audio.





IMPORTANT NOTES

- These slides are solely for workshop purposes only. The content provides general information to support informed stakeholder engagement and foster a diversity of thinking and feedback.
- The presentation does not represent the official position of the Energy Security Board or any related body.
- The webinar is being recorded and a link to the recording will be provided after the webinar.

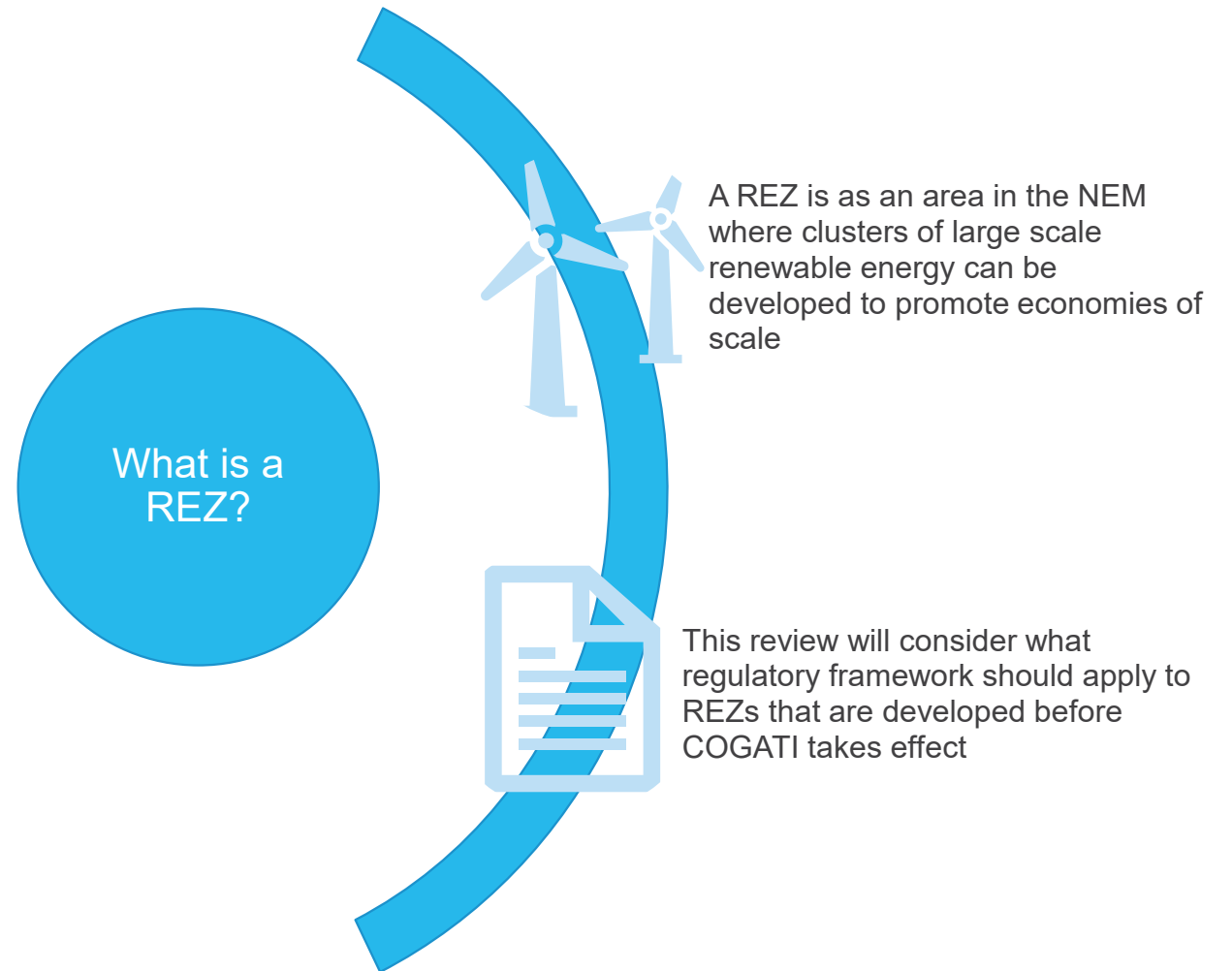
The background features abstract, curved shapes in shades of blue and green. A large, light blue shape curves from the bottom left towards the center. A darker blue shape curves from the top right towards the center. A small green shape is positioned at the top center, overlapping the other two. The text is located in the white space on the left side of the slide.

INTERIM FRAMEWORK FOR RENEWABLE ENERGY ZONES (REZ)



CONTEXT

- At the 20 March 2020 COAG EC meeting, Ministers asked the ESB to prepare Rule changes to support the development of REZs.
- The ESB proposes a two-step process:
 - Part 1 Planning - Rules to enable a detailed and staged development plan for each priority REZ identified in the ISP.
 - Part 2 Implementation – Policy framework for development of REZs consistent with the plan.





HOW DOES THIS REVIEW FIT WITHIN THE BROADER REFORM PROGRAM?

- Interim REZ framework will provide regulatory clarity so that REZs are able to be developed prior to the implementation of transmission access reform
- Framework will be designed to
 - fit within existing Rules so far as possible, including actionable ISP framework.
 - be compatible with the post 2025 market design reforms, including COGATI.
- subsequent Rule change proposals
- Framework should permit a flexible approach to issues such as which entity develops the REZ
 - But provide clarity on key matters which have previously been barriers to progress
- Framework intended to have narrow application.
- Learnings can inform any future, permanent measures related to the development of REZs.

Interim framework will be enduring for the REZs that it applies to.
BUT it is intended to apply only to REZs that are developed prior to the introduction of a long term framework.



WHAT PROBLEM ARE WE TRYING TO SOLVE?

Address problems emerging from rapid change

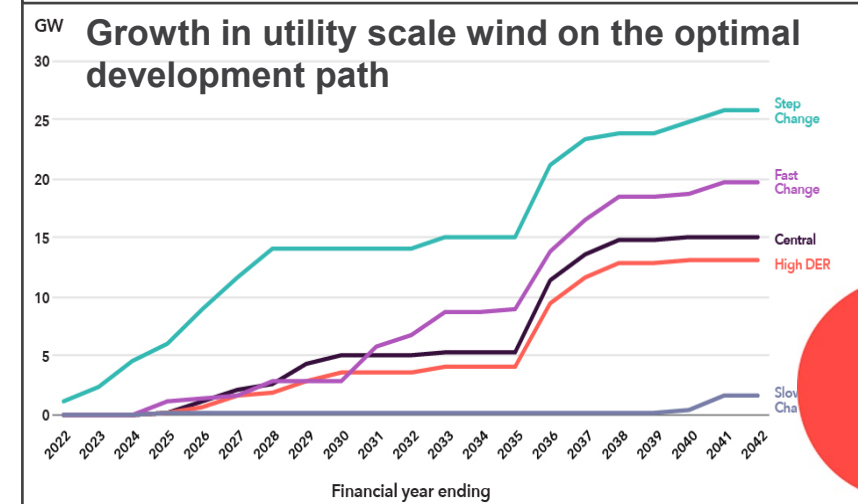
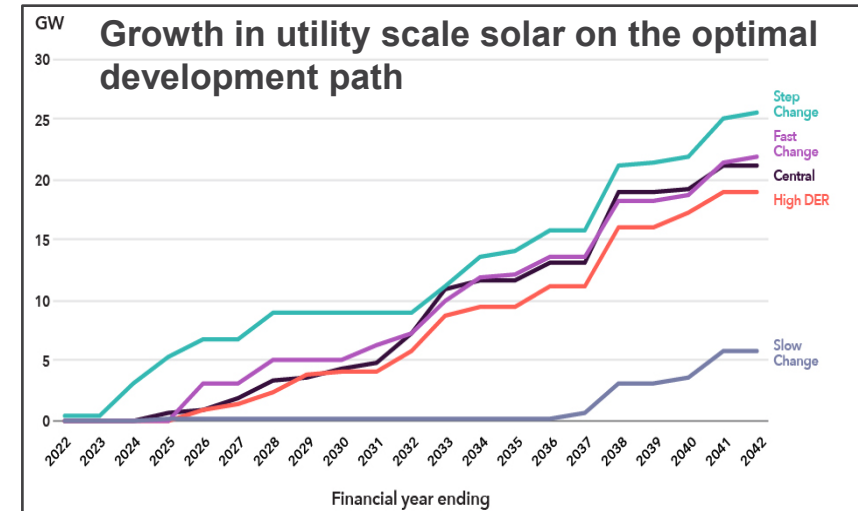
- Orderly renewables development to reduce risk associated with network congestion, low marginal loss factors and technical difficulties.

Many GWs of new renewable generation needs to be connected

- REZs can promote more efficient and effective connection of generators including co-ordinated consideration of security issues

Efficiently deliver required transmission

- Limited available capacity in key REZs
- REZs are a way to efficiently and effectively expand the grid and connect the generation needed
- Co-ordinated network development will reduce costs



Source: AEMO, Draft 2020 ISP





PART 1 – REZ CONFIRMATION & DEVELOPMENT PLAN

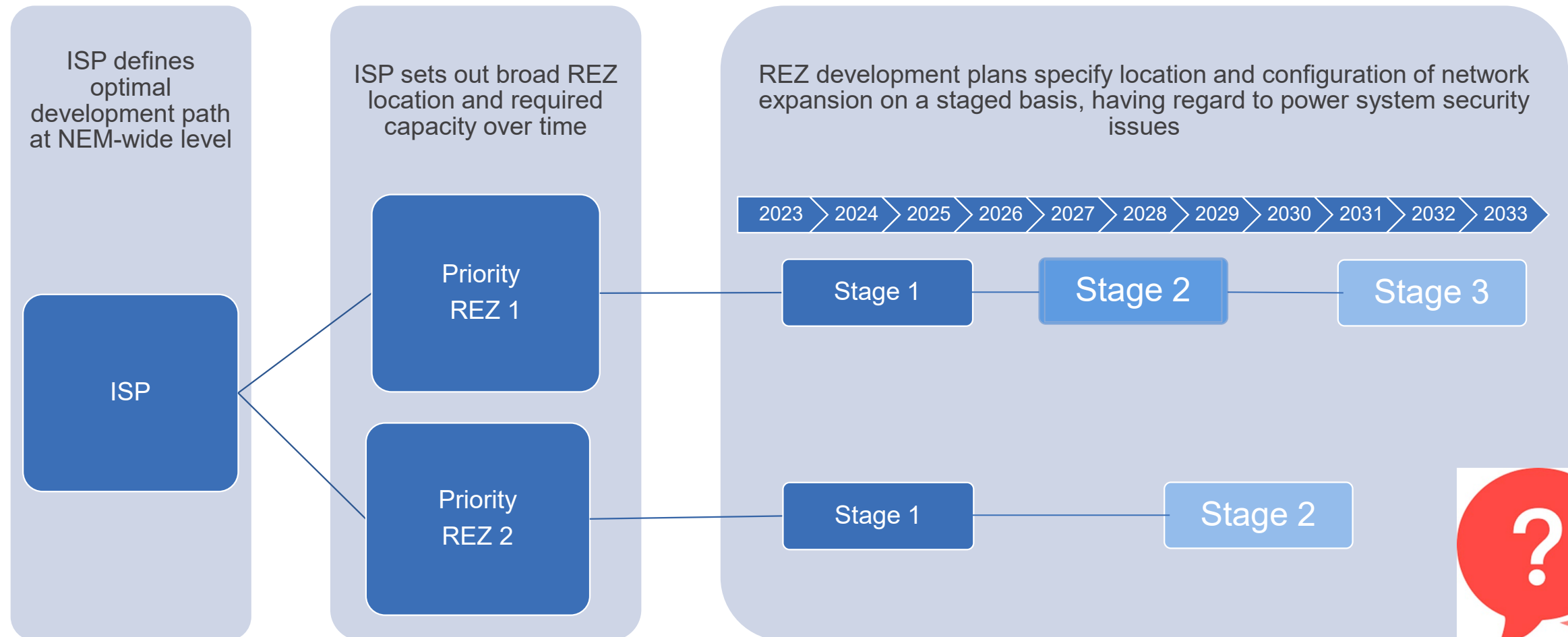
- ISP identifies priority REZs for development including required capacity & staging over time.
- Jurisdictional planning bodies assess the transmission infrastructure required to give effect to staged developments within each priority REZ.
 - State governments nominate the JPB for their State.
 - JPBs are currently the TNSPs, including AEMO in Victoria.
- ESB proposes to use NEL s90F for Part 1 so that planning can commence this year.

Objective of reforms

- Minimise the overall cost consistent with connecting the capacity of renewable generation investment projected in the ISP
- Integrate consideration of the associated land use, environmental and development planning issues, and
- Where possible, deliver immediate benefits as well as securing additional, cost effective, capacity to connect new generators



PART 1 – REZ CONFIRMATION & DEVELOPMENT PLAN





PART 2 – IMPLEMENTATION OF REZS

- REZ development plans outline the nature of the development required.
- Interim framework should be flexible enough to accommodate a range of delivery models, reflecting different character and risk, eg:

JPB is development authority

- If the development was primarily regulated expenditure, JBP may be the preferred body.

Government appointed REZ authority

- If the development of a priority REZ is driven by government policy, government may establish its own body to oversee tender process

Special purpose vehicle

- If the viability of the development relies on higher investment risks, potential to assign the role to an SPV with an appropriate mix of parties.



PART 2 - COST RECOVERY – INITIAL THINKING

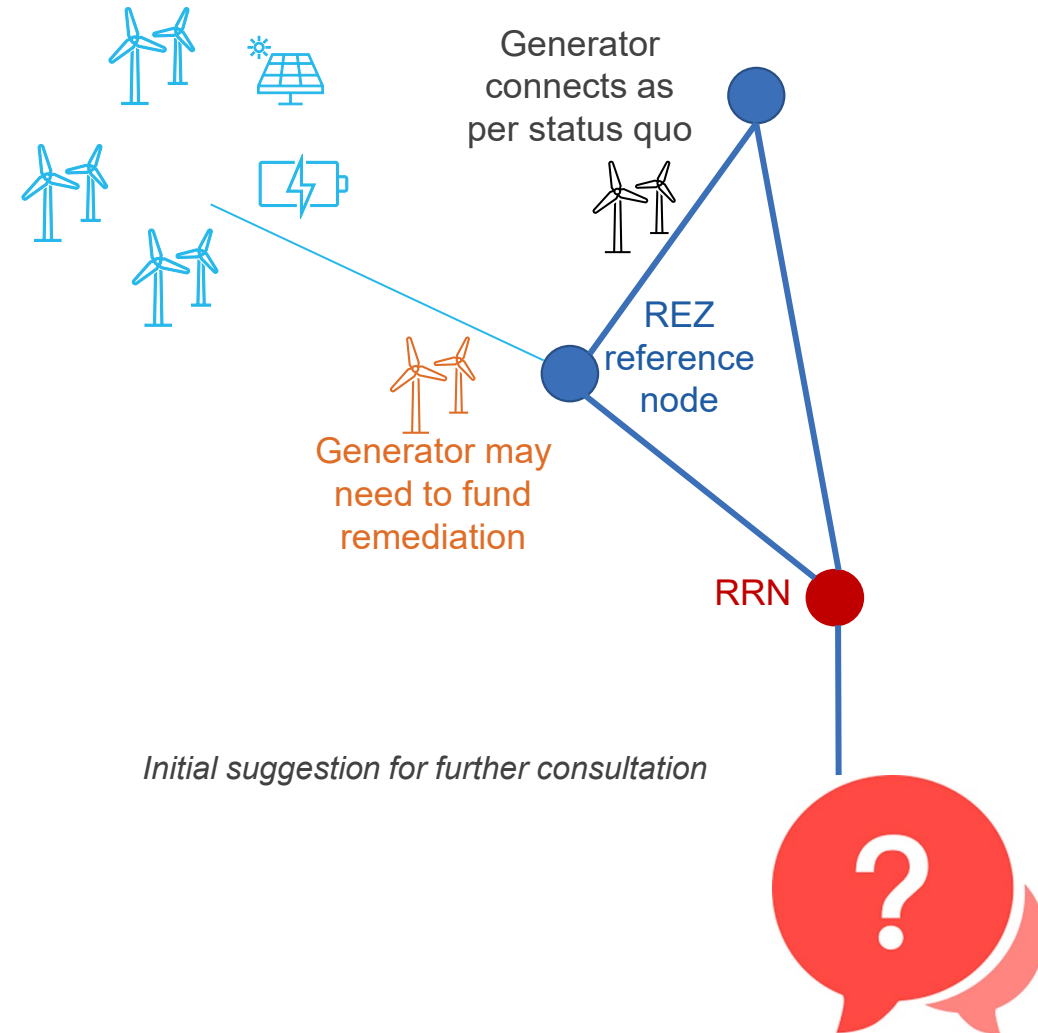
- Costs to be shared between generators, customers and REZ proponents
 - Allocation of costs between parties varies from project to project
- AER to approve the portion of costs allocated to customers to ensure customers only pay for costs that align to benefits

Category	Type of cost	Treatment
Class 1	Generator connection assets	Funded by generators, with potential for reimbursement scheme in the case of shared connection assets
Class 2	Shared transmission assets that yield net market benefits	Funded by customers using actionable ISP framework
Class 3	Shared transmission assets that do not currently yield net market benefits, but are expected to do so in the future	REZ developer or government funds any additional bring-forward costs until such time as the investment yields net market benefits

PART 2 – ACCESS ISSUES – INITIAL THINKING

- A form of access protection is proposed as an interim step for first few REZs.
- ESB to consult on following approach:
 - TNSPs ensure defined level of transfer capacity is available from the generator to a defined connection point close to the REZ.
 - ‘Access’ maintained by ensuring future connections elsewhere to the grid do not prejudice the transfer capacity of REZ generators.
 - Subsequent connections that undermine REZ capacity would need to fund remediation works to maintain that capacity.
 - Given effect via connections regime.
- Approach would not clash with COGATI as it does not impact on dispatch or market operation, nor provide a financial right to cover any impact of congestion.

REZ generators connected as part of staged hub development





WAY FORWARD

Milestone	Timing
Publish consultation paper including Part 1 draft Rules	Mid June
Second webinar	End June/early July
Submissions due – consultation paper	Mid July
Submit Part 1 Rules to COAG using s90F	August
Publish ESB position on interim REZ framework	August
Rule change process	Commence Q3 2020

Please email feedback to: info@esb.org.au

Under NEL s90F process, ESB recommends Rules to COAG EC which can then recommend to the SA Minister that the amending Rule be made.



OVERVIEW OF PROPOSED INTERIM FRAMEWORK

Overarching system plan

- ISP identifies priority REZs for development including required capacity & staging over time

REZ design

- Each stage of development within a given REZ forms part of an integrated plan for orderly rollout
- JPBs develop detailed designs, identify routes and community engagement

REZ implementation varies depending on circumstances

- E.g. government REZ authority could run tender to develop REZs in line with JPB plans

Customer protections

- Recovery of costs on a hybrid, regulated and/or deregulated basis
- Customers only fund transmission investments that pass RIT-T

Network access protections for generators that connect to REZ

- Access protections implemented via connections regime

