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Energy Security Board
Lodged by email: info@esb.org.au

ACCIONA response to the “Renewable Energy Zones” Consultation Paper

ACCIONA welcomes the opportunity to comment on the Renewable Energy Zones (REZs) consultation paper released by the Energy Security Board (ESB).

We support the broad objective of facilitating efficient investment in electricity networks and providing greater certainty of grid capacity and access regime to renewable energy developers.

REZs can play an important role in accelerating the transition to renewables. We believe that the design and implementation of REZs is a complex process, and a detailed consultation with a range of industry participants – renewables developers, transmission network service providers (TNSPs), investors and financiers – is required in order to provide effective solutions.

ACCIONA is committed to further growth and technology diversification of our renewable energy portfolio in Australia, and we look forward to working with the ESB in the market consultation process.

About ACCIONA

ACCIONA is a global leader in renewable energy development with more than 13GW of generation capacity installed in 20 countries across 5 continents. ACCIONA generates clean energy using wind, solar PV, solar thermal, hydro and biomass technologies. We are proud to lead the global ranking of Energy Intelligence's Top 100 Green Utilities for the sixth year in a row.

ACCIONA has been operating in Australia for over a decade – we have invested over \$1.5 billion in renewables to date and are looking to double our investment in Australia within the next 3 years. In 2020, ACCIONA announced its biggest wind farm project and its sixth wind farm to date in Australia – the 1026 MW MacIntyre Wind Precinct in Queensland. We have a large portfolio of wind and solar PV projects at various stages of development in the National Electricity Market.

Process and timeframe

The consultation paper sets out both the long-term plans and a range of interim measures for the evolution of transmission network access regime. These are matters of critical importance for the entire electricity industry, the Australian economy and consumers. We believe that an extensive consultation through industry forums and workshops with various stakeholder groups is required to develop potential options in further detail, provide a thorough assessment of their merits and risks, and develop optimal solutions.

The consultation paper states that the ESB intends submitting recommendations to the Energy Ministers in April 2021. This timing seems quite rapid and suggests the ESB will progress to a preferred model in only two months' time from now. This timeframe does not allow for the extent of industry consultation required.

ACCIONA seeks more detail on the REZ options and proposes that ESB conducts a comprehensive consultation before a preferred option is developed and recommendation is submitted to the Energy Ministers. We would welcome the opportunity to participate in these consultations and contribute our experience to date in developing, owning and operating renewable energy assets in Australia.

Coordinated process to establish the REZ

ACCIONA agrees with the ESB that greater coordination between transmission system augmentation and generation investment is required. It is difficult for renewable energy developers to commit to a project when there is uncertainty on the ability to connect to the transmission grid.

ACCIONA has a number of projects in its portfolio that rely on future network upgrades, and our ability to progress these projects is constrained by the lengthy regulatory approvals for network infrastructure upgrades. While we accept that the construction of grid network upgrades is a lengthy process, greater certainty is required on the grid capacity/strength following these upgrades and a commitment by TNSPs to deliver the upgrades within a defined timeframe.

The proposed REZ approach can address some of the connection challenges faced by developers within a defined area of the REZ, however it does not provide any greater certainty in respect of transmission network capacity and potential constraints past the point where REZ connects to the main transmission network. REZ coordinators will need to work closely with TNSPs and AEMO in this regard.

ACCIONA is seeking further detail on the proposed REZ tenders for access rights to transmission capacity, the extent of commitment required from tender participants, and the level of certainty during the connection and approvals process.

Ultimately, the nature of commitment required at a REZ tender stage is key for the project developers. Renewable energy projects competing for grid access within a REZ are likely to be at different stages in the development cycle, and many projects will still be in the process of securing their planning and environmental approvals. It would be very difficult to align the development stages of competing projects, nor would it be productive for labour markets and equipment suppliers, if projects were to proceed to construction at the same time.

A two-stage commitment process could be explored – such as a 'commitment to develop' and a 'commitment to build', with set milestones. This would increase the field of eligible projects and allow substitution of projects should certain development milestones not be met, or unforeseen circumstances occur. At the same time, this would allow developers to have greater certainty that the transmission infrastructure will be delivered in line with the timeframe for development of their projects.

In terms of the identity of the REZ coordinator, ACCIONA believes that a specialist Government entity with expertise and independence would be better placed to administer REZs than AEMO or the TNSPs. However, it should be noted that any additional expense and time spent establishing such a body will impact on the overall schedule for REZ development and resulting costs to the industry.

REZ coordinator will need to work closely with TNSPs to bring in local knowledge of the transmission networks and ensure coordination with the shared network infrastructure upgrades.

ACCIONA supports the minimum qualification criteria for REZ participants suggested in the consultation paper. In addition to location of proposed projects within the geographic area covered by the REZ, the developers should be required to demonstrate technical expertise and a strong track record in project development, financial capacity to take the project through various stages of development, and a robust approach to raising capital required for project construction/operation.

A Government entity resourced with appropriate industry expertise will be able to provide an independent qualification of applicants and assessment of project proposals from the qualified applicants.

Options for access within a REZ

Having reviewed the four options for access within a REZ as discussed in the paper, ACCIONA feels that more detail is required before it can comment on a preferred option. Each of the options has a number of implementation challenges and risks for industry participants, and there is not enough information within the consultation paper to make an adequate analysis and recommendation.

However, based on our initial review, we believe that Options 1 and 2 have more merits for further detailed development, and consultation with industry partners.

As highlighted above, we are concerned that the timetable for submission of recommendations to the Energy Ministers proposed for ESB does not allow for a detailed development of these options and extensive industry consultation.

Transition to a whole of system solution

The consultation paper states that the ESB is exploring REZ options as a mechanism for transition towards a long-term solution for transmission grid access and identifies locational marginal pricing and financial transmission rights (LMP/FTR) as such long-term solution. ACCIONA, similar to many other renewables developers, has a number of concerns with the LMP/FTR model – we suggest that a long-term solution for transmission network access needs to be considered in further detail and through an open dialogue with industry participants. We also believe that a long-term path for transmission reforms should be set before implementing any interim measures, so that these measures do in fact provide a 'stepping stone' to a sustainable long-term solution.

We look forward to participating in stakeholder forums to consider the concepts defined in the consultation paper further and welcome the opportunity to assist the ESB in developing both a REZ model as an interim solution and an effective whole of system solution for transmission grid access.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Brett Wickham".

Brett Wickham
Managing Director
ACCIONA Energy