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

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Dear Dr Schott

Energy Security Board Renewable Energy Zones Planning consultation

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 4.1 million customers in New South Wales, Victoria, Queensland, Western Australia and South Australia.

AGL notes the ESB's statement that, "a stand-alone REZ model, without additional reform, will not be fit for the future", and encourages the ESB to further consider whether the development of the suggested REZ framework should be suspended while the ESB finalises its work on Post-2025 Market Design and provides a roadmap to its implementation. The ESB cannot ignore that the development of a REZ may have a significant effect on other generators downstream of the REZ, including system security issues with voltage, frequency and restricting new connections to the grid. The ESB needs to include a specific requirement that the REZ design report outline the likely impact on generators located outside the REZ to ensure that if the REZ 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 within the REZ.

AGL also suggests that the focus of this reform project should be focussed on the building of efficient and economic transmission throughout the NEM. The work of the ESB has focussed on a secondary issue of congestion and does not address the key concern of how new transmission will be built and connected to the grid where it is most needed and in a timely manner. The creation of REZ zones seems to further complicate the framework without adequately addressing the key issue.

Further detail on the options put forward in the paper is required before stakeholders can provide meaningful feedback. How a REZ would address the current issues being experienced such as failing loss factors, connection costs, delays in connections is not covered at all in the options paper. Stakeholders would like to understand how each option would operate in practice and the place of each option in the larger access reform piece. Furthermore, in establishing a REZ there should be serious consideration of the provision of grandfathered rights to existing generators, who may be



impacted by such an intervention. While access rights should be allocated to new generators connecting to a portion of the transmission network with expanded capacity, existing generators should retain the right to their existing access capacities. Similarly, there are risks that existing developments (almost at completion), will be put on hold, withdrawn, or repackaged to take advantage of any new rules. AGL recommends that the rules to be developed include provision for planned projects to be considered for early inclusion into the REZ.

AGL notes that the ESB is proposing the REZ framework at a national level. As noted in the consultation paper the states are currently considering their own REZ and renewable frameworks. The state frameworks may or may not adopt the ESB's framework which will lead to disconnect between the NEM regions and potentially contradicting requirements between the states. It is vitally important that this co-ordination is nurtured and manage to avoid further confusion and disconnect.

If you have any questions about this submission please contact Marika Suszko, Wholesale Regulatory Manager at msuszko@agl.com.au.

Yours sincerely,

Elizabeth Molyneux,

General Manager,

Energy Markets Regulation