



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

8 September 2020

Dear Dr Schott,

Response to Consultation Paper and Draft Rules – REZ framework - Step 1 (Planning)

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback on the Energy Security Board (ESB)'s Consultation Paper and Draft Rules on the *Renewable Energy Zones (REZ) framework - Step 1 (Planning)* published on 11 August 2020.

CEIG represents domestic and global renewable energy developers and investors, with around 5GW of installed renewable energy capacity across 49 power stations and a combined portfolio value of over \$9 billion. CEIG strongly advocates for an efficient transition to a clean energy system from the perspective of the stakeholders who will provide the low cost capital needed to achieve it.

CEIG supports the ESB's intent to provide regulatory clarity so that REZs assessed for priority development by the Australian Energy Market Operator (AEMO) in its 2020 Integrated System Plan (2020 ISP) are able to be developed quickly. This is important in the context of the scale of the energy transition and the level of investment required to ensure that the energy system remains reliable, secure and affordable as detailed in the 2020 ISP.

CEIG is also concerned about the current lack of coordination of generation and transmission investment. The ESB's proposed REZ Planning Framework is the most appropriate way to address this issue quickly and effectively while also ensuring that consumers' and local communities' needs are taken into account.

Question 1 - If implemented, should the REZ planning arrangements outlined in Chapter 3 be a permanent feature of the regulatory framework or only apply on an interim basis?

CEIG supports applying the proposed REZ Planning Framework on a permanent rather than interim basis.

AEMO's 2020 ISP, the result of an 18 month consultation and modelling exercise, has found 26-50 GW of new utility-scale wind and solar capacity is needed in the National Electricity Market (NEM) by 2040 for the optimal development of the power system at lowest cost to consumers. Despite the scale of

the generation build-out required, investment in new utility-scale wind and solar capacity is currently at a 3-year low, driven in large part by grid-related issues, such as those seen in north-west Victoria, south-west New South Wales, South Australia and northern Queensland.

CEIG supports grid access reform that creates a robust investment environment to enable the efficient investment in new generation, storage and transmission capacity imperative to achieving the long-term customer outcomes set out in the National Electricity Objective (NEO). To create this investment environment, it is important that the regulatory reform process is undertaken in a coordinated manner that avoids unnecessary complexity and volatility and the associated risk premiums.

Integrating the REZ planning arrangements with the framework for actioning the ISP will provide all stakeholders greater transparency and certainty in relation to the planning, approval and delivery process for an electricity network that supports the energy transition.

For this reason, CEIG supports the ESB's work on the REZ Planning Framework and believes a regulatory framework for REZs needs to be in place for the entire duration of the NEM energy transition. For clarity, this lasting regulatory framework needs to include the aspects of both Step 1 (the purpose of this consultation) and Step 2 of the proposed REZ Planning Framework.

In CEIG's opinion, withdrawing a REZ framework and implementing an alternative solution in a few years' time would create unnecessary uncertainty for investors, ultimately increasing the risks of a more volatile, costlier and less reliable energy transition.

The ESB's proposal for a REZ Planning Framework, if applied on a permanent basis, would give an opportunity for the quick implementation of an enduring and robust planning framework. This would give sufficient certainty for investors when combined with the rigour of the ISP process already in place. In this context, the introduction of locational marginal pricing would not be required as the REZ Planning Framework would give a sufficient signal to investors to encourage the appropriate siting of new generation capacity.

Question 2 Should the REZ planning framework promote a staged approach to REZ development?

CEIG supports a staged approach to REZ development provided that the approach is also cognisant of:

- the costs to be borne by electricity consumers;
- the electricity consumers' needs more broadly; and
- the need to thoroughly and effectively engage with local communities to secure a social licence for REZ developments.

CEIG supports the ESB's proposed prioritisation framework for REZ development:

1. Minimising the overall cost consistent with connecting the capacity of renewable generation investment projected in the ISP and the timing of that investment

This principle is expected to promote lowest-cost REZ developments which ultimately benefit electricity consumers. The careful consideration of investment timing will also ensure that costs are not incurred too early.

2. Integrating consideration of the associated land use, environmental and development planning issues; and

This principle outlines the importance of REZ developments obtaining a strong social licence from local communities and the importance of government support in those engagements. The community engagement activities proposed in the ESB's REZ Planning Framework will also support investors in their work to gain a social licence for their own projects.

3. The ability to deliver immediate benefits as well as securing additional, cost effective, capacity to connect new generators.

This principle provides for the early application of the REZ Planning Framework which will deliver useful lessons and learnings that can be applied to future REZ developments.

CEIG would however welcome further details on how the staged approach is to be framed including consideration of:

- the formal nomination in the Rules of the lead entity whose role it is to decide how to stage a REZ and the entity's full roles and responsibilities in that regard. AEMO is well placed to take on that role; and
- what information the staging decision should be based on such as options for network expansion sizing, metrics on the potential operational impacts on the power system and information collected by AEMO on developer interest.

Question 3 Should the Jurisdictional Planning Body (JPB) be responsible for designing REZs?

CEIG supports the ESB's proposal for a JPB nominated by the relevant State government to be made responsible for REZ planning.

Investors support integrating a variety of views and engaging a number of partners in the REZ design process to achieve better outcomes:

- The JPB should have a lead and coordination role that allows key issues such as community concerns and environmental and cultural obligations to be appropriately considered. To perform its coordination role, the JPB will require access to specialist skills and knowledge. The Rules should prescribe that the JPB has to work closely with the specialist entity(ies) in each relevant field to ensure that the JPB has access to and uses the best information possible.
- Government input and local impacts are critical to the successful development of REZs. The Rules should prescribe that the JPB is required to work with the relevant government agencies and planning authorities as well as with the relevant communities to ensure that REZ planning is cognisant of the best interests of local communities.

Since State governments may nominate different types of entities as JPBs (each with their own long-term needs and interests), the Rules should provide guidance to the JPB on the objective(s) to be achieved in its role as REZ planner. The Rules should prescribe that the JPB's objective is to maximise the long-term needs and interests of the electricity grid & electricity market (including any operational



and planning requirements). The JPB should be obligated to work closely with AEMO to ensure that those needs and interests are accounted for.

Finally, the Rules should prescribe a robust governance and decision-making framework for the JPB to operate in that promotes transparency and regular information sharing. The JPB should also be obligated to regularly consult with energy industry stakeholders.

Question 4 Should the ISP be the primary vehicle for triggering a REZ design report? Should there be other ways to trigger a REZ design report?

CEIG supports the ESB's proposal to enshrine the criteria for triggering a REZ design report in the Rules and the ISP as the main vehicle for triggering a REZ design report.

Question 5 Are the proposed criteria for selecting REZs for planned development appropriate? Are there other criteria that should be taken into account?

CEIG is supportive of the ESB's proposed criteria and believes it is sufficient as it accounts for both technical and strategic objectives (through AEMO's ISP modelling and State governments' energy policies respectively).

Question 6 Do the REZ design principles require amendments or additions?

CEIG supports the proposed REZ design principles as detailed by the ESB in its Consultation Paper and the consideration of consumer and community needs, in line with the principles outlined in the response to Question 2 above.

Question 7 Do the REZ design parameters require amendments or additions?

CEIG supports the proposed REZ design parameters as detailed by the ESB in its Consultation Paper.

CEIG would also support the collection of new information by the JPB or the TNSP to ensure that the REZ design report can be prepared using the latest, most accurate information available (subject to the privacy, data collection and data use provisions already in use in the electricity market) if the JPB's assessment showed that there would be net benefits in providing that additional information.

Question 8 Is the proposed content of the REZ design report appropriate?

CEIG supports the proposed content of the REZ design report as detailed by the ESB in its Consultation Paper. The REZ design report will facilitate an early discussion of the costs and benefits of a REZ development (including from the perspective of local communities) and of the investment in regulated transmission infrastructure required to enable that REZ development.

Question 9 Is the proposed process for preparing a REZ design report appropriate?

In recognition of the variety of possible situations and issues across local communities, CEIG is supportive of the ESB's proposed flexibility around how consultation processes are conducted.

CEIG agrees that aiming for meaningful and early engagement during the REZ design process is a critical principle to ensure effective community engagement.



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Question 10 Do the draft Rules effectively integrate both local and system-wide considerations?

CEIG considers that the ESB's proposal provides a balanced approach to local and system-wide considerations.

Question 11 Do the proposed funding arrangements support the delivery of the REZ planning framework?

CEIG considers that the proposed funding arrangements will be best evaluated as part of Step 2 of the proposed REZ Planning Framework.

Further consideration of the funding and allocation of costs is required to ensure costs incurred are prudent and there is an appropriate allocation of the costs. This can be evaluated as part of the ESB's consultation process for Step 2 when a more complete view of the proposed REZ Planning Framework is available.

Question 12 What, if any, transitional arrangements are required to give effect to the REZ planning framework?

CEIG supports the ESB's intent to avoid duplication or delays in REZ development, provided consumer and community impacts are carefully considered, as outlined in the response to Question 2.

Thank you for giving the energy industry an opportunity to provide feedback on the first part of this important policy. CEIG looks forward to working with the ESB throughout the following consultation and National Electricity Rule change processes. Please contact us at secretariat@ceig.org.au if you would like to discuss any elements of this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read "S/Corbell".

Simon Corbell
Chairperson
Clean Energy Investor Group