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Energy Security Board
Department of Industry, Science, Energy and Resources
GPT Box 2013
Canberra ACT 2601

Lodged via: info@esb.org.au

RE: Renewable Energy Zones Planning

ERM Power Retail Pty Ltd (ERM Power) welcomes the opportunity to respond to the Energy Security Board's (ESB's) consultation paper and draft rules regarding renewable energy zone planning.

About ERM Power

ERM Power (ERM) is a subsidiary of Shell Energy Australia Pty Ltd (Shell Energy). ERM is one of Australia's leading commercial and industrial electricity retailers, providing large businesses with end to end energy management, from electricity retailing to integrated solutions that improve energy productivity. Market-leading customer satisfaction has fuelled ERM Power's growth, and today the Company is the second largest electricity provider to commercial businesses and industrials in Australia by load¹. ERM also operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, supporting the industry's transition to renewables.

<http://www.ermpower.com.au>

<https://www.shell.com.au/business-customers/shell-energy-australia.html>

Special arrangements for planning REZs

We support the coordination of transmission and generation investment in alignment with the optimal development path for the power system, and in a way that has regard for the needs of consumers, communities and developers. We agree that there is currently insufficient transmission network capacity in relevant locations to support forecast renewable generation development, and that a mechanism is required to coordinate transmission and generation investment to ensure orderly development that reduces risk associated with network congestion and technical difficulties, whilst ensuring lowest costs outcomes for consumers and allocation of risks to the parties best able to manage them. We consider that the planning of transmission augmentation to a central location in a geographical area designated as a renewable energy zone (REZ) is one means of giving effect to orderly renewables development by promoting efficient and effective connection of generation, including coordinated consideration of security issues.

However, it is unclear from a practical perspective what additional benefits the proposed framework delivers to consumers above that already provided in the National Electricity Rules (NER) in relation to Scale Efficient Network Extension (SENE) Design and Costing Study² and construction of funded augmentations³. The only difference we observe is that the proposed framework transfers the costs of the design study from the party requesting the study, which could be the jurisdictional planning body or network service provider (NSP), to consumers.

¹ Based on ERM Power analysis of latest published information.

² National Electricity Rules, clause 5.19

³ National Electricity Rules, clause 5.18



We also note that there is nothing in the current NER that prevents the relevant NSP from commencing the Regulatory Investment Test – Transmission (RIT-T) for the provision of a network augmentation/extension to connect a REZ. This had already been demonstrated by AEMO in the application of the RIT-T for the Western Victorian Renewable Integration extension.

Notwithstanding the above and in view of the current perceived challenges associated with bringing new renewable generation capacity to the NEM, we support the development of transmission infrastructure to REZs being subject to a special planning framework that includes measures to consider evidence supplied by generation developers and views of local communities and consumers. We also believe it is important for the development of transmission to REZs to leverage and contribute to efficient design of the broader power system. For this reason, we consider REZ design reports prepared by Jurisdictional Planning Bodies and serving as an incremental refinement of the Integrated System Plan (ISP) have an important role to play.

Principle of co-creation

We strongly endorse the ESB's observation that the objective of the REZ consultation should be to design a framework for transmission investment to a designated REZ that strikes an appropriate balance between technical, economic, and social license considerations. We also agree with the ESB's initial view that the draft Rules should not prescribe the precise nature of the consultation process given the diversity of potential REZ projects and the fact that the construction of network infrastructure to the REZ will remain subject to the broader transmission planning framework which already includes extensive consultation requirements.

However, while allowing a degree of flexibility to accommodate an appropriate process for the design of the transmission network to support energy transfer from each nominated REZ, we consider it essential that there be a commitment to broad stakeholder consultation at the earliest stage of concept design to ensure that the design reports prepared by Jurisdictional Planning Bodies benefit from the technical, economic, and social license expertise within the energy market and broader community.

We have, unfortunately, seen prior network infrastructure projects proceed with consultation processes initiated only after the concept is well-developed, and in such a way that has severely limited the ability of broader stakeholders to make a meaningful contribution. The critical role that selection and development of REZs is set to play in the development and transition of our energy system means that, if not well managed, the REZ planning process may potentially result in sub-optimal development of network infrastructure such that renewables are not able to be brought on line as required, and/or consumers bear the ultimate cost of inefficient investment in transmission assets with lengthy operational lives.

To avoid such an outcome, we encourage the ESB to adopt a principle of co-creation that will ensure that REZs benefit from the expertise of broad range of stakeholders at the earliest stage of concept design, including scope for firming technology that can reduce or defer costs associated with new network infrastructure, and thereby minimise energy costs for consumers. Early, comprehensive, and transparent consultation processes will also ensure that learnings gleaned through early or 'test case' REZs can be readily applied to subsequent development proposals, to ensure an efficient, timely, and cost-effective roll out of REZs across the energy system.

There also remains a key consideration with regards to the likely high cost of developing the necessary transmission infrastructure to the various geographical locations to be designated as REZ's. In our view, the ESB should consider a funding model that is equitable to all parties and ensures that risks reside with parties best able to manage them.



If you would like to discuss this submission further, please contact Sarah Paparo on 0421 230 198 or spaparo@ermpower.com.au.

Yours sincerely,

[signed]

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