



Rhys Edwards
Independent Reviewer
Energy Security Board Review
By email: energystrategicpolicy@industry.gov.au

Melbourne, 13 May 2020

Dear Mr Edwards,

INDEPENDENT REVIEW OF THE ENERGY SECURITY BOARD

innogy Renewables Australia (innogy) welcomes the opportunity to provide input to the review of the effectiveness and performance of the Energy Security Board (**ESB**).

Introduction to innogy

innogy is the Australian subsidiary of innogy SE, a company with 4 gigawatts of operating onshore and offshore wind, solar and hydro renewable power plants; as well as a 7.1 gigawatt global renewable and storage development pipeline. We are currently constructing and commissioning the largest solar farm in Australia – the 349 MW_p Limondale project. If the appropriate policy settings are adopted in the National Electricity Market (**NEM**), we intend to grow our Australian portfolio of renewable energy assets through further investments in solar, wind and storage in cooperation with communities, suppliers, vendors and project developers.

That said, right now the NEM is a challenging environment for new generation investors such as innogy. Volatile marginal loss factors, thermal and security constraints, government intervention whether through “picking winners” via direct project support or through policy reforms that directly go to future revenue such as the Coordination of Generation and Transmission Investment proposal, add up to significant future uncertainty. These characteristics of the current NEM are having significant adverse revenue impacts on existing generation projects. But importantly for the NEM’s future reliability, the unpredictability of these factors is holding back investment in the new projects that are needed to replace retiring thermal generation. The NEM needs leadership to coordinate and prioritise the issues it faces and drive the solutions immediately.

The ESB

The ESB, now in its third year of operation, was established by the COAG Energy Council to support the transition of Australian energy markets while advancing the long-term interests of consumers in this process. Arising out of the Independent Review into the Future Security of the National Electricity Market

(Finkel Review), it was designed to better coordinate action between governments and the market bodies (the Australian Energy Market Commission (AEMC), the Australian Energy Market Operator (AEMO) and the Australian Energy Regulator (AER)). The current independent review of the ESB is required under its terms of reference after its first three-year term.

innogy's feedback on the ESB

In our experience, the ESB has filled an important gap in the NEM's governance, identified in the Finkel Review. To drive the faster rule changes needed in a rapidly transitioning NEM, better coordination was and will continue to be needed between the market bodies, with clearer accountability for energy system outcomes.

Without the ESB, many of the issues innogy is facing would not be any closer to resolution. The ESB's work on implementing the Integrated System Plan, post-2025 market design, and interim Renewable Energy Zone design are key to addressing the uncertainties investors in new generation are facing.

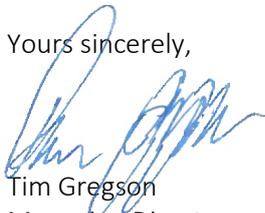
In our interactions on these reforms, we have found the ESB to be competent, efficient and responsive to stakeholder concerns. Refreshingly, the ESB has been able to progress challenging issues such as Renewable Energy Zones relatively rapidly.

It is this responsiveness and efficiency that is required right now and over the medium term to help drive the energy transition which is developing quickly. The Finkel Review identified a way forward to adapt with resilience, and pragmatic changes under the ESB's stewardship are starting to be delivered. In our view, this is not the time for a wholesale review of governance arrangements in the NEM – there is no time for institutional reform if we are to maintain resilience in the NEM through the transition.

If there are to be any changes to the ESB through this review, in our view consideration should be given to the ESB's resourcing and whether it is sufficient for the ESB to deliver its significant reform agenda on the timelines COAG has set.

Thank you for your work on this important review. If you would like to discuss any of the above, please do not hesitate to contact us.

Yours sincerely,



Tim Gregson
Managing Director
Tim.Gregson@innogy.com



Matthew Dickie
Regulatory Manager
Matthew.Dickie@innogy.com