



8 September 2020

Dr Kerry Schott AO
Chair
Energy Security Board

Lodged by email: info@esb.org.au

Dear Dr Schott,

Planning Rules Consultation Paper and Draft Rules

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in renewable energy and energy storage along with more than 7,000 solar and battery installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC welcomes the opportunity to comment on the Energy Security Board's (ESB) consultation on the Renewable Energy Zone (REZ) planning framework consultation paper and draft rules. Broadly, the CEC supports the proposed planning framework to support the design of REZs in a way that coordinates the generation and transmission investments that will be required to continue the timely and efficient transition of the energy system.

The proposed ESB framework presents a pragmatic and sensible approach that balances the efficient design of REZs, the need for timely investment and the flexibility required. This framework will be critical to support the build out of the various REZs required to deploy the over 26GW of new, predominantly renewable energy developments anticipated by the Australian Energy Market Operator's (AEMO's) 2020 Integrated System Plan (ISP). As such, the CEC supports the proposed REZ planning framework becoming part of the permanent regulatory framework.

The proposed planning framework allows for a staged approach to REZ development. This would be achieved through the REZ design reports setting out a long-term plan, with regard to the broader power system, for building out a REZ through a sequencing of projects deployed in stages. The CEC supports this approach, noting that the ability to bring forward the stages is critical. As the paper rightly notes, a staged approach should reduce risk and allow for flexibility to adapt REZs to future market conditions. For example, a staged approach will support the flexibility to bring forward REZ development if required should there be a loss of supply in the market or allow for the use of bespoke implementation models for each stage of the REZ.

The CEC supports the Jurisdictional Planning Body (JPB) being the responsible party for the detailed planning of REZ reports. The flexibility provided by the State governments' ability to enter into Memoranda of Understanding with the JPBS will facilitate government input into REZ design as there are more State governments seeking to fast track and progress the development of REZs across the National Electricity Market (NEM). State governments' ability to hasten the development of REZs is an important factor we are pleased to see incorporated into the planning framework as we see governments seeking to protect their states from early coal closures, as is the case in New South Wales.

We note that the staged approach in the proposed planning frameworks gives priority to minimising overall costs in a REZ for connection of renewable energy projected in the ISP and the timing of the investment. While we strongly support minimising costs to consumers and the overall efficient design of REZs, it is critical that the timing of REZs and the subsequent generation development is not explicitly tied to the projected timeframes in the ISP. The flexibility to bring forward REZ development in response to market signals is critical to ensuring reliability is maintained. The ISP takes a risk averse approach to transitioning the power system in its attempts to model the least regrets future system. Subsequently, the timeframes associated with REZ development opportunities may need to be brought forward to account for changes across the system that happen earlier than modelled.

The CEC supports the two proposed triggers for initiating a REZ design report, namely that the development of the REZ must be on the optimal development path within 12 years or the decision to trigger a REZ design report must have the support of the relevant State government. In addition to these, we suggest the ESB give further consideration to adopting a 'generation interest' trigger. While we agree that generation interest is likely to align with the two current triggers, in the future this may not be the case. The framework should explore options to incorporate flexibility for commercial interest to trigger a REZ design report. It may be prudent that a generation interest trigger is accompanied by certain additional requirements, such as a MW threshold or generator cost recovery mechanism to ensure only serious proposals precipitate a REZ design report.

We also suggest the ESB consider adopting a 'loss of supply' trigger for a REZ design report. This could be useful in the instance a large generator approaching its end of life dramatically moves up its retirement timeline. This may be necessary as there might not be enough time for AEMO to make the required amendments to the ISP outside the two-year ISP cycle. The detail of such a trigger would need careful consideration. For example, which REZs would be triggered by which generation closures and what closure timeframes would constitute a loss of supply trigger.

The CEC supports the proposed framework for the preparation activities outlined in the paper. We particularly support the opportunity for community consultation as a formal input into the REZ design report. REZs are an almost exclusive regional development and as such, social licence in these areas is paramount. Australian renewable energy developers and operators have a strong, constant focus on ensuring their projects deliver benefits to the broader communities and regions they are part of. We believe that community engagement at the earliest stages is critical to the success of REZ developments.

As the JPBs will be responsible for the preparation of REZ design reports, flexibility should be built in to allow a JPB to tailor its community engagement to the area being considered. However, the minimum required consultation periods should be outlined in the rules to ensure community consultation is a key input into the design process.

The CEC suggests the REZ design reports include detail on how the JPB will manage system strength at the network level. The current process to manage system strength on a project by project basis is not efficient in the context of a REZ and the JPB will have an opportunity to design the REZ in a way that accounts for system strength and fault level across the REZ.

In the consultation paper, the ESB contemplates whether there is a need for transitional requirements for REZ developments that are already underway, namely the Central-West Orana REZ. We suggest the ESB should consider if transitional arrangements or lack thereof have the potential to assist or hinder the development of in-train REZs. It would be of great concern if the development of these REZs were to be delayed due to the need to undertake additional steps to satisfy rules that are designed to facilitate their development.

The CEC understands the second step of the REZ framework will consider issues relating to REZ implementation, including whether there is a need for a different way to allocate costs and measures to ensure that generators that participate in the REZ are not adversely affected

by subsequent connections. This work is of critical importance to CEC members to ensure generators that develop assets in a REZ on a 'first mover' basis have certainty on key issues such as marginal loss factors, connection delays and curtailment issues. We suggest this second step should also be mindful of the impacts of a potential REZ development on existing generators within that potential REZ and how their value should not be jeopardised by the REZ development. The CEC looks forward to engaging with the ESB on this step once it is published.

Thank you for the opportunity to comment on this consultation discussing the stage 1 REZ planning framework. If you would like to discuss any of the comments made in this submission, please contact Tom Parkinson, Policy Officer, on (03) 9929 4156 or tparkinson@cleanenergycouncil.org.au or myself, as outlined below.

Yours sincerely,

<Signed>

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