12 August 2022

NSW Department of Planning, Industry and Environment
Lodged via email: contact@energyco.nsw.gov.au

Dear Sir/Madam,

CWO REZ Access Rights and Scheme Design: Positions Paper

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia. We represent over 1,000 of the leading businesses operating in renewable energy, energy storage and renewable hydrogen. We are committed to accelerating Australia’s clean energy transformation.

The CEC welcomes the opportunity to comment on the New South Wales (NSW) Office of Energy and Climate Change’s Positions Paper on the Central West Orana (CWO) Renewable Energy Zone (REZ) access scheme as part of the Electricity Infrastructure Roadmap. We commend the significant amount of work completed to date on the NSW Roadmap on the access scheme and look forward to this delivering efficient outcomes for project proponents and NSW consumers.

We continue to advocate for timeliness, simplicity and investor certainty as key drivers of success within the Roadmap, and welcome the changes made since the Consultation Paper released in December 2021 which reflect this objective. Namely, we welcome:

- the lengthened 20-year duration
- the simplification of the access right terms such as having a flat capacity profile
- the removal of the control mechanism, where adequate joint planning can provide the same level of certainty around curtailment afforded under the mechanism initially proposed

The remainder of this submission outlines the CEC’s position on access right terms and broader scheme considerations.

Access right terms and allocation

The CEC supports the increase in aggregate maximum capacity cap to enable higher levels of renewable generation capacity to be built in the REZ, so long as the enabling increase in curtailment target reflects the efficient level. We note the inherent difficulty to incorporate curtailment caused by factors outside of the REZ, though note the potential for proponents to adequately deal with this risk. Additionally, it may be useful to have increased transparency around curtailment assumptions and modelling undertaken during this process.

The CEC supports this approach if the flat fee is carefully set so that it reflects real value to connecting generators, ensuring NSW consumers and proponents benefit in the long run. Noting the proposed regulated minimum amounts outlined in the Positions Paper and access fee proposed
in the Draft Tender Guidelines\(^1\), we encourage AEMO Services as Consumer Trustee to carefully consider feedback on these proposed amounts when making its final determination.

The is encouraged by the refinements of the allocation process and headroom assessment which is expected to facilitate greater use of the REZ network. In particular, it is encouraging to see that the Department has recognised the benefits of having a diversity of storage assets, and how this is reflected in the amended allocation eligibility.

**Extant risks of the scheme**

The CEC recognises the inherent risks around social license, construction, supplier and counterparty concentration which were discussed in our submission to the previous Consultation Paper. Reiterating our position, the CEC recommends the Department:

1. engages in clear and transparent communication with individual communities about the length of time that construction may take and what to expect (e.g., road closures)
2. plan to stagger the construction of projects. This will not only avoid the cumulative impacts of the issues mentioned above, but it will also be cheaper as it will avoid the inflation of wages caused by short-term worker shortages in construction. Furthermore, learning workers/apprenticeship targets will be unable to be met if all projects happen at the same time.

We encourage further work during the tendering process to address these risks where possible.

**Overall impact on proponent investment decision-making**

The CEC welcomes the finalisation of this scheme as a fully developed, discrete policy framework investors can now incorporate into decision-making with certainty.

The access scheme declaration guidelines provide certainty around the in-built flexibility of the Roadmap to be iteratively develop access schemes across REZs. However, we strongly encourage consistency is maintained when the access schemes of future NSW REZs are developed wherever this is possible.

Of course, changes can (and should) be made where this will deliver better outcomes for proponents and consumers, however these should be based around transparent and quantified analysis – for example, changes to the target curtailment figure should be made based on detailed and publicly available modelling.

However, the potential for significant changes to future access schemes could create undue uncertainty for investors and should be avoided. For example, while we support the removal of the control mechanism from the CWO scheme, the reintroduction of this in future REZs could create a degree of uncertainty and significantly impact investment, particularly for quality projects considering connection outside of a REZ, or to existing lines within a REZ.

As investors grow confident with the scheme in its current form, the Department should consider how the benefits of any changes outweigh the regulatory uncertainty this would create, lest investor confidence is lost.

The Department must also ensure transparency of this scheme - including the tendering process of access rights and LTESA - for all market participants. This includes making the same

information on the process, as well as learnings from the tender process, available to proponents whether they make tender bids or not. For example, information asymmetry present in this process may pressure investors to be involved in the tender process, purely to have experience with the scheme. As such, the CEC considers the Department and AEMO Services as the Consumer Trustee should publicly share learnings of the tender process to avoid this as an unintended consequence. We expect this information will inform and streamline the process in future REZ access schemes and tendering.

Thank you for the opportunity to comment on the consultation paper. If you would like to discuss any of the issues raised in this submission, please contact Jordan Ferrari, Policy Officer, jferrari@cleanenergycouncil.org.au or Christiaan Zuur, Policy Director – Energy Transformation czuur@cleanenergycouncil.org.au.

Kind regards,

Christiaan Zuur
Director, Energy Transformation