



3 December 2020

Ms Merryn York  
Acting Chair  
Australian Energy Market Commission

Lodged via the AEMC website

Dear Ms York,

### **PROJECT ERC0320/ERC0322: Participant derogation - Financeability of ISP projects**

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 participant derogation requests from ElectraNet and TransGrid in relation to their ability to finance large-scale transmission projects under the Integrated System Plan (ISP). The CEC supports the assessment of these derogation requests. The derogations may be a necessary tweak in the context of the broader energy system transition taking place across the National Electricity Market (NEM) if the Australian Energy Market Commission (AEMC) determines that the ISP projects are in jeopardy without the derogations. The efficient build out of transmission in line with the ISP is important for the future least-cost development of the NEM and therefore the renewable energy industry and consumers alike.

We understand that without these derogations, there may be significant implications for the timely development of ISP projects, in particular Project EnergyConnect. As the CEC understands the derogation requests, the changes will not increase the overall costs to consumers over the life of the transmission assets. Similarly, the revenue these assets return to their financiers will be no different to under the current rules, the key difference being the timing of portions of this revenue to improve the financeability of the assets.

It is important to note that the revenue recovery timing changes will result in an increase in recovered costs in the early stages of the projects life, but this will be offset by a decrease in costs in the longer term towards the later stages of the asset life. This ensures consumers are no worse off over the life of the asset because of the change.

The CEC supports the assessment of the need for the participant derogations as they may be required to ensure that network companies can invest in the ISP projects that will ultimately deliver the overall net benefits the ISP represents to consumers. The ISP presents AEMO's assessment of the net market benefits that will be delivered to consumers by the optimal development pathway as the

projects identified in the ISP are constructed. By 2042 (when the current iteration of the ISP ends), the cumulative net market benefits of the optimal development pathway will exceed \$7 billion.<sup>1</sup>

We understand that the derogation requests would apply to TransGrid and ElectraNet's ISP projects, namely Humelink, VNI West and Project EnergyConnect. Of these projects it is prudent to focus on Project EnergyConnect as it is a critical project under the ISP and, importantly, the investment decision is imminent. TransGrid's modelling suggests a typical New South Wales customer's expected bill reduction to be on average \$63.90 per year.<sup>2</sup> ElectraNet's modelling presented in the updated cost benefit analysis presents expected bill reductions for a typical South Australian customer to be approximately \$100 per year<sup>3</sup>.

We note that TransGrid estimates that the increase in short-term costs for Project EnergyConnect averages out to approximately \$3 per household per year in transmission charges for the remaining years of TransGrid's current regulatory period.<sup>4</sup> While the CEC acknowledges that any increase to consumer bills is not immaterial, in the context of the net benefits and wholesale price reductions that the ISP build out will provide, we consider this increase as acceptable to access these benefits if the alternative is that these projects will not proceed. If the AEMC considers the impacted ISP projects are at risk without these derogations, we encourage the AEMC to make a determination in support of the requests.

Thank you for the opportunity to comment on this consultation. If you would like to discuss any of the issues raised in this submission, please contact Tom Parkinson, Policy Officer, at [tparkinson@cleanenergycouncil.org.au](mailto:tparkinson@cleanenergycouncil.org.au) or myself, as outlined below.

Yours sincerely,



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<sup>1</sup> AEMO, 2020 Integrated System Plan, July 2020, pp. 97

<sup>2</sup> FTI, Assessing the benefit of interconnectors, A report for TransGrid, 9 September 2020, p. 13.

<sup>3</sup> ElectraNet, Project EnergyConnect – Updated Cost Benefit Analysis, 20 September 2020, page iii

<sup>4</sup> TransGrid, Rule Change Proposal – Making ISP Projects Financeable, 30 September 2020, page 8