

30 June 2023

Energy and Jobs Plan Consultation  
Department of Energy and Public Works

Submitted by email: [energybill@epw.qld.gov.au](mailto:energybill@epw.qld.gov.au)

Dear Sir or Madam:

**AEC Submission to Energy (Renewable Transformation and Jobs) Bill 2023 Exposure Draft Consultation**

The Australian Energy Council (AEC) welcomes the opportunity to submit to the exposure draft consultation (the Draft).

The Australian Energy Council is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

*General Comments*

The AEC recognises the Energy and Jobs Plan is a comprehensive government policy to transition the Queensland electricity sector. Whilst the AEC prefers that climate and renewable targets and electricity reform is achieved through national policy, it recognises the Queensland government's right to impose these. The AEC also accepts that Queensland is not the first subnational jurisdiction to adopt such a plan, and that the Energy and Jobs Plan is more comprehensively structured than other examples. The AEC notes and supports the absence of "contract for difference" or other forms of risk under-writing of new generation and storage plant.

The AEC welcomes the government's provision of the Draft for comment.

*Access to private capital and competition*

The tremendous transformation of this industry necessitates access to capital outside of the public sector. The AEC welcomes the Plan's recognition of this by inviting private investment in renewable generation, certain storage categories, distributed technologies and network connections.

The AEC understands the government's philosophical commitment to maintaining the approximate existing government ownership shares across the industry. The AEC considers there are ways to substantively maintain this philosophy whilst maximising access to private capital. The AEC identifies some options for doing this within the Draft:

- Privately constructed and operated renewable and storage assets, under long-term contract to a government owned corporation, should be considered as *publicly owned* in part (c) of the definition of that term.
- The AEC supports distributed technologies and batteries not having specific government ownership shares, however where they are controllable (e.g. Virtual Power Plants [VPP]) within an energy company's portfolio, they can be operated similarly to generators and in some cases are registered as such. To the extent that these are owned or controlled by a public corporation, they could be counted toward the publicly owned generator asset share.

- In the same vein, the generating capacity of a publicly owned deep storage asset would be operated similarly to a generator within a portfolio, and thus this capacity could also be captured within the publicly owned generator share.
- Renewable Energy Zones (REZ), where network assets are technically separable from Powerlink's main network, should be treated as a form of connection asset, permitting contestability. These could be excluded from the definition of transmission assets in section 13.

The AEC suggests that the Public Ownership Strategy and the fixed shares in 12(1)(a)(i) should be subject to periodic review in the same manner as Section 11 applies a periodic review to the Renewable Energy Targets. This could take into account whether the targets would be more readily achievable by adjusting this Strategy, say by increasing access to capital.

#### *Infrastructure Blueprint*

The AEC understands the government's policy desire to provide an over-arching plan for the transition. The challenge with any such plan is to:

- Provide high-level guidance, particularly in respect of the development of the main transmission system and REZs, that will assist investors in determining the efficient location and timing of new assets, but at the same time does not serve to effectively determine those investments. Ultimately these should be left to market forces.
- Remain compatible and efficiently integrated with the development of the national grid, in particular AEMO's Integrated System Plan (ISP).

Part 4 of the Draft appears to achieve an appropriate balance with respect to the former concern, particularly in the absence of direct underwriting arrangements as discussed previously. With respect to the second, the legislation should include obligations in respect of consideration of the ISP.

Section 15(2)(f) includes a reference to the Blueprint assessing installed generation against the Reliability Standard. The AEC welcomes the Blueprint's Reliability Standard being defined as that in the National Electricity Rules (NER). This strikes the correct balance between customer reliability and cost.

The clause's requirement for the Blueprint to estimate a total installed scheduled capacity to meet the standard seems however incompatible with the probabilistic form of the standard, and the power system more generally. Understanding a power system's reliability requires direct simulation, incorporating:

- the probabilistic contribution of wind power to meeting the reliability standard (which is non-zero),
- the energy limitations of storage,
- the failure rates of conventional plants, and
- the ability to obtain support from other NEM regions.

It is suggested this clause be rewritten as a requirement to make a general statement of the Blueprint's compatibility with the standard. It should avoid references to deterministic additions of scheduled capacity which is no longer a useful concept in the context of assessing power system reliability.

#### *Priority Transmission Investments*

The AEC recognises the role that expanded transmission will have in the transition, but also notes the critical importance to ensure that transmission is developed efficiently and predictably. This is both to protect consumers from high monopoly costs, and also to ensure transmission does not have the unintended effect of displacing otherwise more efficient competitive asset options. In that respect, the AEC is a firm supporter of the National Electricity Rules' (NER) Regulatory Investment Test (RIT-T) which attempts to achieve these objectives.

The AEC recognises the Draft attempts to provide a reasonably robust process before the declaration of a priority transmission investment. In particular, the inclusion of a form of cost-benefit analysis in Section 25 is welcome.

The AEC does not however agree with S25(4) that permits declaration upon a negative net economic benefit which would indicate the investment should not progress. If the Blueprint as a whole is economic, then a holistic test on any of its constituent parts should similarly be economic.

If the minister feels an otherwise uneconomic investment should nevertheless progress, then it would be appropriate for such investments to be funded by government rather than consumers. To do so these assets would be identified and appropriately separated from the Regulated Asset Base (RAB).

Large transmission developments in recent years across the NEM have frequently shown significant inflation in costs from the original design proposal to what is ultimately included in the RAB. This led to a [Rule Change](#) proposal towards re-consideration of a project upon material change in costs. Section 24 permits the minister to seek independent advice upon a Powerlink submission, but does not seem to have mechanism to deal with material change. Priority Transmission should be subject to material change arrangements, ideally by the legislation cross-referencing the NER.

#### *Distinction from National Electricity Rules for transmission*

Much of the challenge in drafting the legislation and regulation relates to the inevitable complexities of the joint operation of the Queensland priority transmission investments alongside the comprehensive regime for the transmission planning and regulation that exists under the NER. This is also a concern to the AEC, which is desirous of the grid being developed with a national character and harmony.

It is welcome that many features of the Draft around early planning and justification appear to borrow the same concepts as have been long enshrined under the NER. The AEC would prefer that rather than repeating these concepts, to instead draw upon the NER through cross reference. For example, the declaration process might use the equivalent in the NER. The minister might, for example, simply direct Powerlink to apply the NER RIT-T to a Blueprint project.

#### *Renewable Energy Zones*

The Draft appears to set up a comprehensive structure consistent with the policy's intent.

The Draft clearly isolates the REZ's planning and cost recovery well from the rest of the grid. This is welcome as it provides the opportunity for contestability in provision. Contestability has been used since market start in Victoria, and more recently in developing REZs in New South Wales, enabling the REZ to be developed more efficiently and quickly. It also avoids the financing challenges experienced by transmission network service providers in other states. Thanks to the separability of the REZ from Powerlink's network, it has characteristics of a connection asset, for which government policy is to continue to permit development outside of public ownership.

Section 49 (2) allows the delivery body to restrict access for REZ controlled assets which includes those located outside a REZ but "which may affect the capacity or functioning of the REZ". This is potentially a very wide definition. Whilst the policy intent is understandable, the definition raises uncertainty regarding open access across the Queensland grid. National processes are dealing with this challenging matter as part of Transmission Access Reform. It may be preferable to initially exclude all non-REZ assets from the definition and allow the national process to play out.

Section 42 permits the minister to revoke a REZ declaration. This introduces a potential for a good-faith investor in a REZ connecting asset to become stranded. The legislation should provide a compensation pathway to avoid disadvantage.

The AEC supports the REZ recovering its costs through access charges and agrees that a mechanism, as described in Section 57, is required in the circumstance where a shortfall emerges. The AEC feels however that such a shortfall should not be recovered through prescribed transmission service charges, which implies electricity customers. The REZ is ultimately designed to achieve the government's policy objectives, and it seems appropriate that it, rather than customers, should underwrite the policy.

The AEC understands a key attraction of a REZ is the ability to more efficiently co-ordinate technical connection matters. The AEC considers this streamlining can occur without derogating from the NER and the role of the Australian Energy Market Operator (AEMO). To the extent that the delivery body has a comprehensive REZ development plan that deals satisfactorily with these matters, AEMO's approval would be straightforward and non-duplicative. Retaining AEMO and their NER powers in the process gives greater confidence to the security of the national grid as a whole.

#### *Network ownership of batteries*

The AEC understands S162(2) empowers monopoly networks to develop batteries. As a battery provides many competitive market services, the AEC has significant concerns about the issues that arise from a regulated monopoly developing such assets. These concerns are well articulated in a detailed [report](#) prepared for the AEC in 2021. They are also a matter of concern to the Australian Energy Regulator (AER) that publishes [ring fencing guidelines](#) around the development of competitive assets by networks.

The AEC suggests the government reconsider whether S162(2) is necessary for the plan, and to the extent that it is, ensure that the AER's ring fencing arrangements apply.

Any questions about this submission should be addressed to the writer, by e-mail to [ben.skinner@energycouncil.com.au](mailto:ben.skinner@energycouncil.com.au) or by telephone on (03) 9205 3116.

Yours sincerely,



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