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NSW Transmission Planning Review Options Paper

The Australian Energy Council (AEC) welcomes the opportunity to make a submission in response to the NSW Department of Climate Change, Energy, Environment and Water's (NSW DCCEEW) NSW Transmission Planning Review Options Paper (Transmission Planning Review).

The AEC 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.

The AEC focus in responding to the Transmission Planning Review is primarily centred around who is best placed to provide system security services. The provision of essential system security services (ESS) as thermal plant exits the energy system has been a key focus for the AEC for some time, and we have argued that ESS should be unbundled, provided on a technology neutral basis, and utilise market mechanisms where possible. An over reliance on TNSPs providing ESS via synchronous condensers may delay the transition, and bake in higher costs to consumers than are necessary. Market signals are required to induce ESS providers using other technology, even if only for incremental purposes over and above the baseline provided by synchronous condensers.

It follows that to the extent an over reliance on TNSPs provision of ESS carries risk, a transmission planning system characterised by unclear roles and responsibilities could exacerbate this risk. The AEC agrees with the analysis in the Transmission Planning Review, namely:

- Planning for system strength and other system security services has a complicated planning framework that is not well integrated into other aspects of transmission planning under the Electricity Infrastructure Investment Act (EII Act)
- These services can currently be planned and delivered under either the National Electricity Rules (NER) or the EII Act, with different approaches taken in different Renewable Energy Zones (REZs). There is currently no clear test or criteria for when system security planning should proceed under the NER or the EII Act. This complexity and lack of clarity risk increased costs or system security risks.
- Transgrid is currently designated as the System Strength Service Provider (SSSP) and inertia service provider for NSW under the NER. However, the emergence of contestable network operators and system strength providers creates gaps in AEMO and Transgrid's powers and obligations. It is unclear how Transgrid, as SSSP, could provide services on contestable networks, potentially requiring complex agreements.
- There is also a risk of conflicts of interest due to Transgrid holding multiple planning-related roles under the NER, including SSSP.
- There is insufficient coordination between AEMO, EnergyCo, Transgrid, and contestable network operators on these issues. Planning for projects involving long-lead time items, such as synchronous condensers needed for system strength, is particularly challenging under the current processes.

Given the issues identified, the AEC thinks it is worthwhile further exploring Option D.1 outlined in the Options Paper, making EnergyCo the SSSP and inertia service provider for NSW. While this Option could be complex to implement, with transitional arrangements likely to be necessary, it offers the clearest

delineation in roles and responsibilities. If further analysis demonstrates that the time and complexity to implement D.1 is problematic, the AEC is open to Option D.2 as a pragmatic path forward.

In relation to recouping the costs EnergyCo would incur as SSSP and inertia service provider, the AEC supports utilising the current arrangements in NSW where costs are recouped via DNSP charges.

Questions can be addressed by e-mail to peter.brook@energycouncil.com.au.

Yours sincerely,

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