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Proposed Changes to the Electricity Networks Access Code – Priority Projects

The Australian Energy Council (the “**AEC**”) welcomes the opportunity to make a submission on the *Proposed Changes to the Electricity Networks Access Code – Priority Projects Consultation Paper* (“**Consultation Paper**”) published by Energy Policy WA (“**EPWA**”).¹

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. Our members collectively generate the overwhelming majority of electricity in Australia, sell gas and electricity to millions of homes and businesses, and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 percent emissions reduction target by 2035, and is part of the Australian Climate Roundtable promoting climate ambition.

Background

EPWA is proposing material amendments to the *Electricity Networks Access Code 2004* (“**Access Code**”) to change how projects are identified and assessed. The Consultation Paper claims that since the last Whole of System Plan (“**WOSP**”), which proposed negligible amounts of new transmission, the energy transition in Western Australia has accelerated and there is now an urgent need to make project investment decisions to deliver the new transmission identified in the recently released SWIS Demand Assessment (“**SWISDA**”). To do that, the Consultation Paper proposes amending the Access Code to:

1. Expand the definition of a Priority Project in section 1.3 to include projects specified in a “priority project determination” made by the Minister for Energy; and
2. Establish a “priority project determination” in sections 1.3 and 15.1A, and requiring the Minister for Energy to provide reasons for such a determination in section 15.1A.

In effect, this will allow the Minister for Energy to nominate a priority project which would then not be subject to a regulatory test and the costs associated with the project would also not be reviewed under the ‘new facilities investment test’ (“**NFIT**”). The priority project would be fast-tracked and not be subject to the usual regulatory scrutiny.

¹ See [Proposed Changes to the Electricity Networks Access Code – Priority Projects Consultation Paper](#)

The lack of transmission planning

The proposed amendments in the Consultation Paper creates a dilemma for the AEC. On the one hand, the AEC has for several years been advocating for more forward-looking transmission planning and a pathway to increased depth of SWIS transmission. On the other hand, it is concerning that the urgent need to catch-up with the market and deliver new transmission has resulted in the contemplation of mechanisms that are not generally consistent with the planning and regulation of a monopoly grid that supports a competitive market.

The AEC agrees that a significant amount of transmission investment is needed to relieve network constraints and accommodate the proposed new projects in the SWIS. The existing Access Code already anticipates that the WOSP would be used to identify priority projects, however the version released in 2020 proposed negligible amounts of new transmission. This outcome was largely driven by the assumptions used in the modelling, and it meant that the WOSP failed to accurately forecast:

1. Where investors intended to locate new projects;
2. The scale of those projects; and
3. The requirement for new transmission.

The WOSP did not call for deep SWIS transmission investment and, as a result, several years of planning was lost. The Consultation Paper notes that the energy transition continued after the release of the WOSP – largely driven by State Government commitments and proposed policies, and industrial loads beginning to shift away from using thermal generation – and Western Power’s *Transmission System Plan – 2022* (“TSP”) was the next opportunity to plan new transmission.² Western Power is required to produce the TSP under section 4.5B of the Wholesale Electricity Market (“WEM”) Rules and its purpose is to present a 10-year forward plan for investment in the transmission network.³

Stakeholders made submissions on the draft TSP and asked Western Power to begin planning new transmission to support renewables entering the grid. Western Power responded to submissions by highlighting that the WOSP did not identify any Priority Projects and, ultimately, the TSP did not propose any new transmission.⁴ The AEC contends that had the TSP adapted to the new conditions, the reform being considered now would not be necessary.

As several major reviews and reforms were being conducted separately, the AEC engaged Marsden Jacob Associates (“MJA”) to prepare a report on WEM revenue adequacy for generators and to recommend measures to promote new investment. MJA identified this issue as one of the key reasons for investor uncertainty. MJA noted in its report that:

“In Western Australia, the last major transmission upgrade occurred in 2014 with the construction of a single circuit 330 kV transmission line from Neerabup to Eneabba to support the Karara magnetite mine in the mid-west. There has not been recent experience in undertaking cost benefit assessments of major transmission upgrades in the SWIS since that time.

The current Western Power Annual Planning Review is not fit for purpose and does not adequately address the challenge of moving to net zero emissions in the SWIS by 2050. Selectively picking two scenarios (i.e., Ground Hog Day and Castaway) from the WOSP and then claiming that no significant upgrade of the transmission system in the SWIS is required is not a good example of detailed and co-ordinated planning, especially given the likely investment in large-scale renewable generation that will be required to achieve the 2050 target.

² See p3, [Proposed Changes to the Electricity Networks Access Code – Priority Projects Consultation Paper](#)

³ See p2, [Transmission System Plan - 2022](#)

⁴ See [Transmission System Plan \(Draft\) 2022 – Response to Submissions](#)

*In our view, the Western Power transmission planning process needs to be reviewed*⁵

These comments from MJA particularly resonated when Western Power lodged their proposed access arrangement for the AA5 period. In various forums, Western Power presented information showing that up to 30GW to 43GW of additional renewable generation may be needed by 2030 yet did not identify any major transmission upgrades in their proposal. Several stakeholders raised this issue in their submissions to the Economic Regulation Authority.⁶

Transmission is required and there must also be oversight

The State Government's release of the SWISDA on 9 May 2023 was a welcome, but sudden, shift towards a much greater amount of transmission investment. It forecasts over 40GW of new wind and solar projects and proposes a number of upgrades and more than 4,000 km of new high-capacity transmission lines across three stages to unlock three potential renewable generation hubs in the north, east and south. The AEC and many of its members, who are among the largest investors in generation in the SWIS, were not asked to provide input to inform the SWISDA and we remain uncertain about how the amount and type of forecast generation was determined, and whether the proposed transmission is fit for purpose.

Putting this aside, the AEC considers that new transmission is critical to unlocking investment in the SWIS and decarbonising the grid. Adequate transmission is vital for connecting new generation and providing investors with certainty. Failing to invest in new transmission will threaten the WEM objective of providing a reliable supply of electricity at the lowest sustainable cost to consumers.

On this basis, the AEC has some support for the Minister for Energy being able to make a priority project determination. However, the AEC cautions that:

1. The Consultation Paper seeks to solve a problem that was only caused by a lack of transmission planning and investment, and if new transmission projects were identified in the WOSP, TSP or AA5 and planning was undertaken in a holistic manner, then the proposed amendments in the Consultation Paper would not be necessary;
2. Investors face a lengthy grid connection process of up to four years and EPWA has not provided any evidence of improvements to this process.⁷ There is little point in the Minister for Energy determining priority projects if the grid connection process prevents new generation from connecting to the grid in a timely manner;
3. The proposed amendments undermine the important role of the ERA in regulating a monopoly service and ensuring the efficient delivery of new projects;
4. Allowing the Minister for Energy to be able to make a priority project determination without stakeholder input may result in projects that are either not fit for purpose or not required and this may result in inefficient costs to consumers and jeopardise the WEM objective to minimise the long-term cost of electricity supplied to customers from the South West interconnected system⁸;
5. Priority projects determined by the Minister for Energy may not be delivered efficiently because of a lack of regulatory oversight;

⁵ See p92-93, [Revenue Adequacy for Generators in the WEM](#)

⁶ See for example, [Alinta Energy's submission on the Draft Decision](#) and [Collgar's submission on the Draft Decision](#) and [Australian Energy Council's submission on the Draft Decision](#)

⁷ See [Further access arrangement information](#)

⁸ Noting that the AEC and most of its members were not invited to provide input into the SWISDA.

6. The new power being given to the Minister for Energy could result in more costs for consumers at a time when they can least afford it. The Consultation Paper says that “project investment decisions are required as soon as possible” so it would be reasonable to assume that there is a budget for the planned projects.⁹ The AEC considers that there should be transparency about the priority projects likely to be determined by the Minister for Energy in the near future, the expected costs for these projects, and details on how the projects will be funded; and
7. The Minister for Energy’s unilateral power to determine priority projects may undermine new investment in generation and discriminate in favour of certain technologies. Rather than new generation being considered on their merits, future projects may now be decided by who is higher in Western Power’s connection queue or has land access near to where the Minister for Energy chooses to build transmission.

While the AEC supports a holistic approach to planning new transmission, this proposal could result in projects that are not fit for purpose, and inefficiently delivered with no oversight or governance. The AEC does note, however, that EPWA regards the WOSP as duplicating the regulatory test:

“In producing modelling to meet demand at the lowest cost, the WOSP performs a similar function of the regulatory test in identifying network augmentation that maximises net benefits to users ... Given the comprehensive process through which Priority Projects were identified as part of the WOSP, it was not reasonable for the ERA to retest the prudence of undertaking such projects.”¹⁰

Given that the WOSP duplicates the regulatory test and information about the prudence and efficiency of the projects should be readily available, the AEC strongly recommends that 15.2A is amended to state:

15.2 A At the time of publishing a priority project determination the Minister must also publish:

- (a) the reasons for the priority project determination; and*
- (b) information demonstrating how the priority project determination meets the Code objective; and*
- (c) the forecast cost of the priority project; and*
- (d) the estimate of the likely change the cost of the priority project will have on reference tariffs; and*
- (e) information demonstrating the proposed costs are efficient and consistent with the requirements of the regulatory test and new facilities investment test.*

A coordinated approach to transmission planning

State Government commitments and policies, combined with industry moving away from thermal generation, has created an urgent requirement for new generation in the SWIS. However, the pressing need for new generation has created a problem – investors are motivated to bring new intermittent and dispatchable projects onto the grid but encounter challenges such as:

1. A lack of transmission planning and investment creating uncertainty and grid congestion;
2. The rigid interpretation of certification obligations by AEMO; and
3. A grid connection process that is lengthy, costly and opaque.

⁹ See p4, [Proposed Changes to the Electricity Networks Access Code – Priority Projects Consultation Paper](#)

¹⁰ See p3, [Proposed Changes to the Electricity Networks Access Code – Priority Projects Consultation Paper](#)

The AEC is focusing on how to unlock new investment in the WEM and recently engaged a consultant to provide an independent assessment of the:

- The challenges and bottlenecks that proponents face when seeking to invest in new generation in the WEM;
- The potential consequences if there are delays to new investment in generation in the WEM;
- Changes to policy and the regulatory framework that should be considered to eliminate the bottlenecks preventing new generation from connecting to the grid in a timely manner;
- Modifications which could be made to ensure the grid connection process is fit for purpose for the energy transition and can handle the unprecedented volume of new connections;
- Whether the SWISDA adequately addresses investor concerns over the lack of transmission planning and investment;
- How Western Power should approach transmission planning and investment to ensure there is adequate transmission infrastructure available for new generation to connect to the grid when it is needed;
- The ways in which government, Western Power, policy agencies and industry can better coordinate the planning and investment in new transmission; and
- The potential outcomes if the bottlenecks are released for investors.

The AEC anticipates that this report will provide useful recommendations on improving transmission planning and the grid connection process, and looks forward to sharing the findings with EPWA in due course.

Conclusion

The AEC appreciates this opportunity to provide feedback on the Consultation Paper and encourages EPWA to consider the issues raised above.

Please do not hesitate to contact Graham Pearson, Western Australia Policy Manager by email on graham.pearson@energycouncil.com.au or by telephone on 0466 631 776 should you wish to discuss this further.

Yours sincerely,

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