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Facilitating timely connection of critical projects

The Australian Energy Council (the “AEC”) welcomes the opportunity to make a submission on *Facilitating timely connection of critical projects: Information paper* (“**Information Paper**”).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

State Government commitments and policies, combined with industry moving away from thermal generation, has created an urgent requirement for new generation in the South West Interconnected System (“**SWIS**”). The 2023 Wholesale Electricity Market Electricity Statement of Opportunities notes that its “assessment forecasts a need for additional capacity from the start of the outlook period in 2023-24, rising to 945 MW in 2025-26, and to around 4,000 MW by 2032-33”² and that “to meet the reliability gap and satisfy the RCR for 2025-26, expedited progress of a robust pipeline of probable projects is necessary.”³

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; and
2. A grid connection process that is lengthy, costly and opaque.

These matters have been raised by stakeholders through various consultation processes⁴ and became pertinent during the consultation process for the access arrangement for the Western Power Network 2022/23 – 2026/27 (“**AA5**”). In its submission, the AEC encouraged Western Power to adopt a grid connection process that is transparent and has short, defined timeframes. The AEC also proposed other ways to improve and fast-track the grid connection process.⁵ In response, Western Power stated that:

¹ See [Facilitating timely connection of critical projects: Information Paper](#)

² See p9, [Wholesale Electricity Market Electricity Statement of Objectives](#)

³ See p3, [Wholesale Electricity Market Electricity Statement of Objectives](#)

⁴ See, for example, the [submissions on the ERA’s Triennial Review of the WEM](#) and

⁵ See [AEC submission on AA5 Draft Decision](#)

“Another common piece of feedback both through the review and the public submissions to our Revised Proposal, was to consider prioritizing projects of: State significance, strategic importance to the electricity market; or “shovel ready” projects with no constraints in terms of funding, land arrangements; or that have an agreed power purchase agreement in place.

... While clause 5.9(a)(i) of the Access Code allows for a departure of the ‘first in, first served’ principle of the AQP, provided such departures are “necessary to achieve the Code objective”, this clause will not enable the prioritization of such projects in all cases.

Further, departing from the ‘first in, first serviced’ principle is unlikely to be sufficient to address the concerns raised in the public submissions and the expected bow-wave of projects resulting from the now rapid pace of energy transition and decarbonization of the SWIS.”⁶

Feedback on the Information Paper

The AEC commends Western Power for considering ways to improve the grid connection process and producing the Information Paper. The Information Paper proposes that some projects could be identified as critical projects, and then their grid connection process will be fast-tracked:

“Western Power is developing a framework for assessing and identifying a critical project based on principles and criteria. Projects identified as critical projects will then be fast-tracked for connection.

This framework will be outlined in a transparent process and be published as a guideline, for prospective customers to understand how a critical project is defined and how it will be progressed.”⁷

This marks a significant and welcome shift from earlier positions, and the AEC broadly supports any reform that will:

- Improve and expedite the grid connection process;
- Add transparency to the grid connection process;
- Assist with unlocking new generation that is urgently required; and
- Improve confidence and certainty for investors.

With that said, it is challenging for the AEC to provide meaningful feedback on a guideline without seeing the details of the guideline. To this end, the AEC suggests that:

1. Western Power could address the issues identified in the Information Paper, including the large volume of applications with only a small percentage of enquiries receiving an access offer, through other mechanisms including:
 - Allowing applications to self-select and pay for a premium service that is quicker and more streamlined;
 - Applying some form of service incentive scheme to the treatment of connection applications;
 - Ensuring prices for each of the different stages of the connection process are reflective of the forward-looking costs of providing the base level of that service;

⁶ See p10-11, [Further Access Arrangement Information](#)

⁷ See p6, [Facilitating timely connection of critical projects: Information Paper](#)

- Maximising the amount of technical, commercial and procedural information that is published and made available to proponents upfront to improve the quality of applications and prevent proponents from making speculative connection applications; and
 - Allowing applicants to engage third-party consultants (for example if network feasibility studies are required) to expedite timeframes and, potentially, reduce costs.
2. The proposed guideline should be prescriptive and set clear criteria on how Western Power will determine criticality to the State and how projects will be assessed for their probability to proceed. There is a risk that the items listed in the Information Paper are broad, open to interpretation and could give rise to the perception of Western Power “picking winners”. For example, how much impact on network stability, reliability and system security is required for a project to be critical? And, how much financial capital and previous experience is necessary to demonstrate that a project has a high probability to proceed? Western Power is encouraged to clearly define the assessment criteria for critical projects.
 3. It is problematic for Western Power to be producing a guideline and then also assessing projects against that guideline without any independent oversight. Further information should be provided about the dispute resolution process that will be put in place to address a scenario where a proponent disagrees with Western Power’s assessment of a project for critical project status.
 4. The guideline should specify that:
 - Existing projects in the grid connection process will be considered for critical project status; and
 - Only projects that directly benefit the SWIS in relation to price, quality, safety, reliability and security of supply of electricity will be considered for critical project status, and projects that directly benefit export markets are excluded.
 5. Projects that are not given critical project status also need improved levels of support given that a typical connection process already takes up to four years and this is likely to worsen as increased applications are received in the coming years.⁸ Western Power is asked to provide more information about how timeframes for projects without critical project status will be improved when Western Power’s already limited resources will now focus on fast-tracking critical projects.
 6. Western Power releases the draft guideline for consultation so that stakeholders can provide informed feedback.
 7. There should be a consultation process before any changes are made to the *Electricity Networks Access Code 2004* and the *Applications and Queuing Policy 2022*.

⁸ See p9, [Further Access Arrangement Information](#)

Improving the grid connection process

The AEC recently engaged a consultant to provide an independent report on how to remove the bottlenecks preventing new generation from connecting to the grid. The consultant is tasked with assessing 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; and
- The potential outcomes if the bottlenecks are released for investors.

The AEC acknowledges Western Power's support and participation in an interview with our consultants. The AEC anticipates that this report will provide useful recommendations on improving the grid connection process, and looks forward to sharing the findings with Western Power in the near future.

Conclusion

The AEC appreciates this opportunity to provide feedback on the Information Paper and encourages Western Power 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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