

QREZ Team
Queensland Department of Energy and Public Works

Submitted by: Online lodgement

14 January 2014

Submission to Queensland Department of Energy and Public Works: Delivering Renewable Energy Zones - Technical Discussion Paper

The Australian Energy Council (AEC) welcomes the opportunity to make a submission to Queensland Department of Energy and Public Works: Delivering Renewable Energy Zones - Technical Discussion Paper (Discussion paper).

The AEC is the industry body representing 20 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the majority of the electricity in Australia, sell gas and electricity to over ten million homes and businesses, and are major investors in renewable energy generation.

We have used the submission template provided on your website.

Any questions about our submission should be addressed to Peter Brook, by email to peter.brook@energycouncil.com.au or by telephone on (03) 9205 3103.

Yours sincerely,



Peter Brook
Wholesale Policy Manager
Australian Energy Council

Queensland Renewable Energy Zones (QREZ) Technical Discussion Paper Submission Template

Submission on behalf of:

Business name	Australian Energy Council
Contact name	Peter Brook
Contact number	(03) 9205 3103
Contact email	Peter.brook@energycouncil.com.au

Consultation questions:

A fit-for-purpose model for Queensland
1. Do you support the development of renewable energy zones (REZ) in Queensland? Why or why not?
<p>The AEC is supportive in principle to the development of REZs in Queensland. However, the Technical Discussion Paper (Discussion paper) is relatively high level which precludes us from determining whether the proposed REZs will satisfy key objectives including:</p> <ul style="list-style-type: none">• Consistency with the National Electricity Objective (NEO) and NEM rules;• Preserving energy only market price signals;• Encourage only economically sound investments; and• Do not adversely affect incumbent generators
2. Should Queensland adopt elements of the REZ frameworks from other jurisdictions? Please provide details.
<p>The AEC believes where it is fit-for-purpose Queensland should adopt elements of other frameworks. For example, the AEC believes physical access (as proposed by NSW) is preferable to financial access.</p>
Attributes of the QREZ model
3. Do you agree with the desired attributes and outcomes? What, if any, additional attributes should be considered?
No comment.
Planning
4. Do you agree with this approach to planning declared REZ within the broader QREZ regions? Why or why not?
No comment.

5. Should Powerlink be the designated planning body to undertake analysis regarding development of declared REZ? Why or why not?

The AEC has some concerns with Powerlink having this responsibility but in the short term it is likely to be the most efficient way to ensure the process moves forward in a timely manner. To address these concerns the AEC believes rigorous governance arrangements (eg, ring fencing). Furthermore, the AEC believes Powerlink should not be responsible for cost recovery arrangements and REZ assets must not be included in Powerlink's regulatory asset base (RAB).

If Powerlink is to be the designated planning body (DPB) the AEC is unsure as to whether Powerlink will be able to adequately resource these tasks. If this is the case, Powerlink must be required to ensure it can adequately resource the role of DPB.

Over time the AEC believes the DPB be moved from Powerlink to a new independent body as is the case in NSW and Victoria.

6. If a separate entity were to be appointed the designated planning body, is a new or existing entity more appropriate?

As stated above a new independent body is the AEC's preference but alternatively an existing entity such as AEMO services could undertake the role of DPB.

7. How should the distribution network be considered in the QREZ model?

Queensland is the largest state in the NEM and has extensive sub-transmission distribution assets that extend into prospective renewable generation areas. Accordingly, the DPB should be required to consult with the DNSP

Notice

8. Do you agree with this approach to community and market notice? Why or why not?

The notice period should be of adequate length to enable comprehensive community engagement and allow potential proponents to carefully consider whether to progress with the process of developing a project within the proposed REZ. This would ensure that any expressions of interest have greater likelihood of proceeding and therefore lower the risk of the REZ not attracting sufficient interest from proponents.

9. Should the REZ notice be issued by the Queensland Energy Minister or the designated planning body?

The AEC considers the most appropriate party to issue the REZ notice is the DPB. This will provide for transparency because the community and market will be aware of the proposed REZ before the Queensland Energy Minister can exercise discretion as to whether or not the DPB's proposed REZ enters the public domain.

10. What is an adequate length of time for the market and community notice period and how far in advance of REZ declaration should this be conducted?

Please see our response to question 8.

11. What level of information should be published in the notice?

The AEC believes this stage of the process should provide the technical information that a potential proponent would be expected to require to be able to accurately assess whether to participate in the process. Hence, if they do decide to participate the decision will be based on a comprehensive technical and commercial assessment which should facilitate quality proposals leading to optimal proponent selection.

In addition to the types of information set out in Section 3.3 of the Discussion paper the AEC suggests:

- Estimated cost of any new transmission infrastructure
- Potential future capacity of a declared REZ as is provided under the NSW approach.

12. Are there benefits to aligning QREZ terminology with other jurisdictions? For example, the notice period is similar in intent to the NSW draft REZ declaration stage.

The AEC supports consistency in terminology across jurisdictions where the characteristics of the subject matter are generic.

Declaration

13. Do you agree with the approach for declaration of REZ within the broader QREZ regions? Why or why not?

The AEC believes a cost benefit analysis should be conducted for each proposed declared REZ. These cost benefit analyses should be primarily based on energy market benefits and costs and emissions reductions. This would enable comparison between REZs to ensure that the optimal locations are selected on the basis of market benefits, capital efficiency and maximising emissions reductions.

The analysis should be available for public scrutiny and if non-energy market benefits are to be included (eg, estimated broader economic and social benefits), these are clearly delineated from the energy market benefits and their underlying assumptions are also available for public scrutiny.

This additional level of analysis and transparency may help to mitigate the risk of sub-optimal REZ selection where decisions are based on other factors outside the scope and underlying objectives for creating REZs.

14. Should the REZ Management Plan published at the time of declaration be a final version based on engagement through the notice period or should this be a draft?

Figure 2 in the Discussion Paper states that the DBP recommends the Queensland Energy Minister declare a REZ and submits a draft REZ Management Plan (RMP). The Minister then declares the REZ and publishes the draft RMP. A period of consultation with stakeholders follows and then the DPB submits a final RMP for approval. In contrast the first paragraph of Section 3.5 appears to cast some doubt as to whether there is a draft RMP for consultation or it is immediately a final decision.

The AEC supports the approach outlined in Figure 2 where the Energy Minister publishes a draft RMP for consultation prior to making a final decision on the RMP.

<p>15. Should declaration of a REZ include a bespoke planning framework within the declared area? What would be the advantage of this?</p>
<p>No comment.</p>
<p>Specification</p>
<p>16. Do you agree with the approach for developing the specifications for the declared REZ? Why or why not?</p>
<p>No comment.</p>
<p>17. Should the REZ Management Plan take effect from declaration of the REZ or should there be two-stage draft and final process?</p>
<p>As per our answer to question 14, the AEC believes there should be two stage draft and final process.</p>
<p>18. What level of information should be included in the REZ Management Plan?</p>
<p>As per our response to question 11, the AEC is of the view that the most comprehensive information set is provided so as to ensure proponents are able to make the most informed commercial and technical decisions.</p>
<p>19. Should the designated planning body be responsible for developing and administering the REZ Management Plan?</p>
<p>The AEC considers the DPB to be the most logical entity to develop and administer the REZ Management Plan. However, as noted in our response to question 5 we have concerns with Powerlink remaining the enduring DPB and that the DPB should ultimately transition to an independent entity.</p> <p>If Powerlink is to be responsible for developing and administering the REZ Management Plan, then it would be an incumbent TNSP which is also responsible for determining the generation mix. The AEC considers this to be an excessive level of central planning with too much decision making power resting with the TNSP.</p> <p>The AEC believes that it is worth considering some form of regulatory oversight of the DPB's activities by a body such as the AER.</p>
<p>20. What are the advantages or disadvantages of creating a new asset category for REZ?</p>
<p>The key issue here for the AEC is that REZ assets do not form part of Powerlink's RAB.</p>
<p>Connections and access</p>
<p>21. Do you agree with the approach to connections and access? Why or why not?</p>

The AEC supports a physical access scheme as opposed to a financial access scheme.
22. Does the proposed QREZ model offer sufficient benefits to connecting generators to encourage participation? If not, what additional benefits could the QREZ model provide?
No comment.
23. Are there any circumstances where projects connecting outside declared REZ that materially impact the efficient development of the REZ should be restricted?
With respect to this question, the AEC would like to see ‘grandfathering’ of unrestricted access to pre-existing projects located outside of a declared REZ.
Funding of REZ assets
24. Do you agree with the approach for funding REZ assets? Why or why not?
The AEC has some concerns with the suggestion that the Queensland government would undertake “strategic network investments” in the first stages of REZ development. If the government is underwriting the development of REZs without commitments from proponents to connect, the Queensland taxpayer (or potentially Queensland electricity consumers) are exposed to the risk that there is inadequate generation and storage investment to commercially support the state’s investment. The Discussion paper does not set out what would be the criteria for the state to undertake “strategic network investments”.
25. Should the Queensland Government consider an alternate test for efficient REZ investment similar to NSW?
No comment.
26. Should the access fee for generators also support community and employment outcomes (similar to the NSW model)? Why or why not?
The AEC believes that investment in and operation of the NEM should be based solely on the NEO and that financial assistance to achieve other economic and social goals is best achieved through direct transfers from government. State governments have a long history of using household and business electricity charges as a quasi-tax system to fund their policies. In Queensland’s case one only needs to look at the Solar Bonus Scheme where the government took the costs of the scheme back onto the state’s balance sheet from 2017/18 to 2019/20 at a cost of \$770million.
Ongoing management

27. What could the Queensland Government do to improve or streamline project development, and at which stages of project development would this be most helpful?

No comment.

Supporting competitive industries

28. What policies or incentives (if any) should be offered to attract industrial load into declared REZ and how should load be integrated?

No comment.

29. How should large loads connected within declared REZ be encouraged to be flexible to improve overall system outcomes and lower total system cost?

No comment.

30. Should the Queensland Government establish economic precincts that provide special access to energy provided by declared REZ?

No comment.

31. What are the current barriers for large energy users to access renewable energy?

No comment.