

18 November 2022



EnergyAustralia

LIGHT THE WAY

AEMO Services Limited
Level 22, 530 Collins St
Melbourne, Vic 3000

EnergyAustralia Pty Ltd
ABN 99 086 014 968

Lodged electronically: iioreport@aemoservices.com.au

Level 19
Two Melbourne Quarter
697 Collins Street
Docklands Victoria 3008

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au
energyaustralia.com.au

Draft Investment Infrastructure Objectives Report – 4 November 2022

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts across eastern Australia. We also own, operate and contract a diversified energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 4,500MW of generation capacity.

We appreciate the opportunity to provide feedback on the draft Investment Infrastructure Objectives (IIO) report, which has been developed in response to a projected breach of the NSW Energy Security Target (EST) and associated Ministerial 'firming' direction.

We note the steps and time taken between identification of EST breaches and tendering for 'firming' Long-term energy services agreements (LTESAs) under the Electricity Infrastructure Investment Act and Regulations:

- EST calculation (AEMO's report completed in May 2022)
- Ministerial firming direction (August)
- IIO report update (November).

The EST breach was calculated using market data as at April 2022. This included a snapshot of AEMO's Generation Information data as at 22 February 2022, and we note the Trustee has now taken updated information from this source as at May. The Trustee assumes commissioning dates for key transmission infrastructure as per the Draft 2022 Integrated System Plan, notably the Central-West Orana Renewable Energy Zone by 1 July 2024 and Project EnergyConnect by 1 July 2025. These two transmission projects are now more reasonably expected to be online mid-2027 and July 2026 respectively — a delay of 3 years for Central West Orana and one year for Project EnergyConnect.

Network augmentation timings are described as core assumptions underpinning the EST modelling. We therefore consider the effect of these shifting dates (and potentially others) should be analysed and accommodated in determining the timing, size and potential location of firming infrastructure required to ensure that NSW customers do not face reliability issues with the exit of Eraring. A validation of these core assumptions and

their impact on firming requirements would be consistent with the Trustee's remodelling of targets under the Peak Demand Reduction Scheme in section 5.3 of its draft report. Our expectation is that the Trustee's draft 2023 IIO report, to be released in Q1 2023, will reflect these updated datasets and sensitivities against key assumptions. Other information to be updated includes that in AEMO's draft 2023 IASR, which will be published in December 2022, as well the market information (lead-times and costs) collated through EnergyCo's current procurement processes for the Waratah Super Battery and the Central-West Orana renewable energy zone.

The Trustee retains flexibility under LTESA auctions to depart from the indicative tender amounts identified in its IIO reports where this is in the long-term financial interests of NSW consumers (amongst other considerations). This flexibility is, however, a potential source of uncertainty for potential bidders and other market participants looking to invest in electricity infrastructure. Stakeholders should be able to form a view on how the indicative 380MW of firming capacity would need to change in order to ensure reliability is maintained for NSW customers.

Our recommendation is that this final 'firming' IIO report provide increased transparency through detailed calculations relating to the indicative tender amount that the Trustee intends to procure, as well as duration requirements, location efficacy and other characteristics. The report should highlight where these system needs are sensitive to commissioning dates for transmission and other projects. Such information would reflect the details of current, planned and expected electricity infrastructure in NSW and the NEM, which must form part of IIO reports under clause 24(1)(e) of the Regulation. Further guidance could also be provided around the Trustee's decisions between different firming technologies in terms of cost, emissions, reliability, system strength and potentially other system services for the financial benefit of NSW customers.

If you would like to discuss this submission, please contact me on 03 9060 0612 or Lawrence.irlam@energyaustralia.com.au.

Regards

Lawrence Irlam
Regulatory Affairs Lead