

30 May 2023

Ms. Anna Collyer
Chair, Energy Security Board
Submitted via email to info@esb.org.au

Transmission Access Reform: May 2023 Consultation Paper

Dear Anna,

Thank you for providing an opportunity to share our perspectives on the most recent Transmission Access Reform Consultation Paper.

As you know, Energy Consumers Australia is the national voice of residential and small business energy consumers. When we ask these consumers about their priority in the energy transition, they consistently rank affordability higher than any other issue. In our most recent survey (with results to be published in June), affordability was five times more likely to be identified as the top priority relative to other choices such as a rapid transition to renewable energy.

This focus on affordability is the primary reason we remain engaged on Transmission Access Reform. This reform is crucial to ensuring the market is designed in a way that appropriately signals the right combination of new generation, new storage and firming resources, and new transmission. If we design the market incorrectly, we will get more transmission, generation, and storage than required, and consumers will pay more. We will take longer to achieve our greenhouse gas emission reduction commitments than anticipated, and we will further erode consumer trust and confidence in the market.

This submission focuses on three overarching points, touching on issues raised generally throughout the Consultation Paper:

- We need real reform – the ESB must resist predictable, but persistent calls from some industry stakeholders to weaken the reform further by removing the Priority Access Model.
- Implementation is key – the final policy should be operational and implemented no later than 2027. When choosing between competing priorities, the ESB should choose detailed designs that are simpler to implement.
- Review and revise the reform from the outset – new market approaches should be reviewed from the outset, with opportunities to formally review them as soon as practicable if events demand.

We need real reform.

Transmission Access Reform is vital. Absent it, there is no question that we will not build a least-cost energy system – rather, we will build more generation, more storage, and more transmission than required. Just as not reforming the existing broken transmission access system shouldn't be an option, weak and ineffective reform shouldn't be an option either.

Ministers endorsed a policy design that incorporates a voluntary market – the Congestion Relief Market – with a mandatory approach to setting investment signals – Priority Access. As far as we are aware, no individual company or organisation advocated for that particular combination of market and investment signals. Nevertheless, the Energy Security Board (ESB) recommended and Ministers endorsed this “hybrid model” because it offers the right combination of signals to avoid overbuilding the transmission system, and because elements of the hybrid model had enough industry and stakeholder support to generate some degree of buy-in for the reform package.



Some industry groups argue that the hybrid model is a bad idea. They state that these two approaches are inconsistent and that any mandatory reform – like Priority Access – will reduce investment or increase investment premiums in new generation. However, eliminating Priority Access would result in a weak and ineffective overall reform package. It would leave the market roughly untouched from its current position. There is no hard evidence that significant amounts of generation will enter and actively participate in the voluntary Congestion Relief Market. It will provide no signals for generators to avoid locating in congested areas of the network, and therefore the Congestion Relief Market alone would leave the job of Transmission Access Reform only half done, if that.

Energy Consumers Australia spent several years arguing that a fully mandatory approach to transmission access was best and the one in the long-term interests of consumers. While we continue to believe that our preferred market design alternative was the right choice, Ministers endorsed a different model. Unlike some industry groups, we are pursuing the implementation of the hybrid model in a constructive manner and not using on-going consultation as an opportunity to continue to advocate for a model that Ministers abandoned. The ESB must not heed the insistent cries from some industry stakeholders that they should abandon the Priority Access model – doing so would leave this entire reform process as weak and ineffective. It would not deliver the reform consumers and the market need.

Implementation is key.

The energy system is undergoing a rapid transition – unprecedented levels of new transmission, generation, and storage are being built every year. Transmission Access Reform is fundamentally focused on the coordination of those investments. Faster implementation of Transmission Access Reform will lead to faster signals that more quickly inform generation and storage assets to locate and operate in the most efficient ways possible. A quick implementation leads to a more coordinated, lower cost transition; a slower implementation leads to an uncoordinated, more expensive transition.

In February, the ESB indicated that the earliest implementation date for changes to the dispatch solution would be the end of 2027. Our perspective is the end of 2027 should be the latest implementation date. The consultation paper notes that the final implementation date will depend on a range of factors including technical challenges and the broader reform packages undertaken by AEMO. In practice, the timeline for implementing this reform depends primarily on the level of priority market bodies place on its implementation relative to other market design choices. Given its centrality to the coordination of billions in investment, we believe it should be highly prioritised and implementation should happen quickly.

The imperative of implementation should flow through as a practical focus for the detailed design choices. Many of the detailed policy designs fundamentally try to balance implementation challenges with robust market signals. For example, in choosing the “level of priority” conferred to generators commissioned earlier than those commissioned later, the detailed design may elect a “hard” priority – when the earlier generator always is dispatched first – or a “soft” priority – when other factors in addition to commissioning date, such as how close to one another two generators are, can also impact their priority in accessing the market. Soft priority is simpler to implement, though on balance may provide slightly weaker signals to new generation. Our view is that implementation should be highly prioritised as a design choice. An implemented policy can always be improved – particularly if it is appropriately monitored and reviewed.



Review and revise the reform from the outset.

New markets should be monitored from the outset, with annual reports and opportunities to re-open design choices before 3 years if warranted. The consultation paper notes that the ESB suggests that the final rule change enacting the reform should include a mandatory review three years after implementation.

A mandatory review is a good and necessary part of the final reform, but it should begin from the moment these new market designs take effect. The congestion relief market is a globally novel approach to dealing with challenges associated with transmission access. Data about generator participation in the market and its impact on prices should be readily available from the day the policy is implemented. At least annually, if not every six months, the AEMC should publish data about the market and how it is working.

A mandatory review of the entire policy should occur no later than three years from market inception – or be allowed to begin earlier if the data indicate a major issue or challenge with the market. Transmission Access Reform is too important – and its design too novel – to wait an arbitrary amount of time to share information about how well the policy is working in practice. A solid focus on implementation coupled with an effective regime of review and revision can help the market operator and market participants learn and grow with this novel policy and market design.

In summary, we continue to engage on Transmission Access Reform because it is a crucial element of the energy transition. It is key to delivering the affordable energy system that consumers want and need. We appreciate the ESB's continued consultation on this policy. If you have any questions or concerns, please feel free to contact me without hesitation.

Yours sincerely,

Brian Spak
Director, Energy System Transition