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Thursday, 18 April 2024

Ms Anna Collyer  
Chair Australian Energy Market Commission  
GPO Box 2603  
Sydney NSW 2001

Submitted online: [www.aemc.gov.au](http://www.aemc.gov.au)

Dear Ms Collyer,

### **AEMC draft decision on enhancing investment certainty in the R1 process**

Transgrid welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) draft determination rule on Enhancing investment certainty in the R1 process, which was published on 7 March 2024. The draft determination addresses the issues that were highlighted by stakeholders and aims to improve the R1 processes by appropriately targeting key areas whilst still preserving system security.

The NEM, in particular NSW is experiencing a substantial growth in renewable connections driven by the rapid clean energy transition. Given this, we need to ensure that we have the right framework in place that appropriately balances risks between the parties and maintains system security.

Transgrid welcomes the AEMC's draft determination, and we believe it provides a fair balance between speeding up the connections process and allowing the NSPs and AEMO to undertake necessary assessments to ensure system security, reliability, and quality of supply. In Transgrid's view, the draft rule addresses key gaps identified in the current R1 process by introducing pragmatic improvements without adding unnecessary complexity and overtly prescriptive requirements to the R1 process that could lead to further delays.

We support the preferred solution as outlined in the AEMC's draft determination as it appropriately balances the risks between the parties. We believe the original rule change proposal did not appropriately balance the risks between the parties. However, the draft determination does this by:

- Allowing reasonable and pragmatic revisions to the Generator Performance Standards (GPS) by amending clause 5.3.4A(b)(1A) with respect to a submission by a Generator under clause 5.3.9(b)(3).
- Formalising the commencement and conclusion of the R1 process through timely notifications by NSPs and AEMO.
- Not adopting the proposed self-assessment framework as this will lead to inconsistent classification as proponents may all classify their project differently, not having visibility of all projects.
- Not implementing the classification framework for multipath Registration process as it will add an additional step to the Registration process to negotiate the appropriate categorisation and preclude bespoke assessment of projects.

- Not implementing a materiality framework as it is likely to be incredibly challenging to develop a robust and durable guideline that covers all conceivable issues across projects across the NEM.
- Not including an independent arbitrator as originally proposed given the existing dispute resolution process and other issues outlined in Transgrid's previous submission.

However, there is one proposed amendment we encourage the AEMC to address. Under the proposed changes to the re-negotiation of GPS via a 5.3.9 process, it is not clear whether the proponent is still expected to aim for the Automatic Access Standard (**AAS**) or the agreed performance standard. Under the proposed amendments to clause 5.3.4A(b)(1A), the draft rule states that if the 5.3.9 submission seeks to reduce the performance standard, then the performance standard must be as close as practicable to the previously agreed standard (provided that the performance standard is at or above the minimum access standard). However, as per 5.3.4A(b1), when submitting a proposal for Negotiated Access Standard (**NAS**) under 5.3.9(b)(3), the Connection Applicant is required to propose a standard that is as close as practicable to the corresponding AAS. We have highlighted the relevant sections in yellow in the below snapshot taken from the proposed rule change amendments.

**5.3.4A Negotiated access standards**

- (a) *AEMO* must advise on *AEMO* advisory matters.
- (b) A negotiated access standard must:
- (1) subject to subparagraph (1A), be no less onerous than the corresponding *minimum access standard* provided by the *Network Service Provider* under clauses 5.3.3(b1)(4) or S5.4B(b)(2);
  - (1A) with respect to a submission by a *Generator* under clause 5.3.9(b)(3), or a *Network User* or *Market Network Service Provider* under clause 5.3.12(b)(3), be:
    - (i) if the *performance standard* for that technical requirement is at or above the *minimum access standard* and the submission seeks to reduce that *performance standard*, as close as practicable to (unless otherwise agreed by the relevant *Network Service Provider* and *AEMO*); or
    - (ii) if the *performance standard* for that technical requirement is below the *minimum access standard*, no less onerous than, the *performance standard* that corresponds to the technical requirement that is affected by the alteration to the *generating system* or *plant* (as applicable);
  - (2) be set at a level that will not adversely affect *power system security*;
  - (3) be set at a level that will not adversely affect the quality of *supply* for other *Network Users*; and
  - (4) in respect of *generating plant*, meet the requirements applicable to a *negotiated access standard* in Schedule 5.2.
- (b1) When submitting a proposal for a *negotiated access standard* under clauses 5.3.4(e), 5.3A.9(f), 5.3.9(b)(3), 5.3.12(b)(3) or subparagraph (h)(3), and where there is a corresponding *automatic access standard* for the relevant technical requirement, a *Connection Applicant* must propose a standard that is as close as practicable to the corresponding *automatic access standard*, having regard to:
- (1) the need to protect the *plant* from damage;
  - (2) *power system* conditions at the location of the proposed *connection*; and
  - (3) the commercial and technical feasibility of complying with the *automatic access standard* with respect to the relevant technical requirement.

We believe the AAS should be the target under the 5.3.9 process, as it is under the existing arrangements. For example, if there is no requirement to aim for AAS, when a connection that originally used poorer performing plant (inverter or wind turbine) changes to better performing plant at R1 (through a 5.3.9) the required performance would be less than if the connection process started with the better performing equipment. This would lead to inconsistent performance requirements across projects.

Overall, we support the proposed changes to the 5.3.9 process to allow for lowering performance where necessary, however, we encourage the AEMC to consider the way this clause is drafted, specifically that it provides clarity to clause 5.3.4A(b1) requirement which aims for AAS would apply under the new 5.3.4A(1A) clause.

We look forward to continuing to work with the AEMC, AEMO, the CEC and the broader industry to explore and implement reforms that addresses key gaps in the current connection process.

If you require any further information or clarification on this submission, please contact Zainab Dirani at [Zainab.Dirani@transgrid.com.au](mailto:Zainab.Dirani@transgrid.com.au)

Yours faithfully



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