

10/09/2021

James Hay
Deputy Secretary, Energy Climate Change and Science
NSW Department of Planning, Industry and Environment

Lodged by email: electricity.roadmap@dpie.nsw.gov.au

Dear James,

Submission to Long Term Energy Service Agreement design consultation paper

We welcome the opportunity to respond to the New South Wales (**NSW**) Government's consultation paper on the design of Long Term Energy Service Agreements (**LTESAs**) as part of the NSW Government's Electricity Infrastructure Roadmap (**the Roadmap**).

TransGrid is keen to assist the NSW Government in ensuring that the design of the LTESAs supports efficient infrastructure investment and provides the best outcome for consumers. We provide the following comments on the design of the LTESAs as put forward by the NSW Government in its consultation paper.

1. TransGrid supports the financial incentives provided by the LTESAs subject to key principles being met

TransGrid supports the financial incentives for generation, storage and firming provided through the LTESAs to enable and drive investment in the NSW Government's renewable energy zones.

In addition to the objectives outlined by the NSW Government in its design consultation paper, it is our view that the NSW Government should, in designing the LTESAs, also ensure that:

- > The financial incentives provided through the LTESAs have the flexibility to evolve over time as the costs of technologies come down, new market solutions are identified and the energy system evolves. For example, financial incentives for generation may no longer be required after the first wave of investment as it may be sufficiently incentivised to invest in the market.
- > The LTESAs are able to be easily understood and implemented by all potential market proponents, both established and emerging players. This will drive new entrants into the generation and storage market as well as increase competition.
- > The LTESAs allow for the constraint of generators and storage providers due to system security and reliability reasons. Generators, storage providers and market participants providing firming could be constrained due to TransGrid fulfilling its obligations as system operator in NSW. Consistent with the National Electricity Rules, TransGrid should not be liable for any financial consequences as a result of any such constraints.
- > The tendering of LTESAs is coordinated with REZ access arrangements and connection agreements. This will facilitate investment decisions on a whole of project basis.

2. Design of the long duration storage and firming LTESAs

It is our view that it is important that the design of the long duration storage and firming LTESAs provide for the situation where a party owns and builds the storage or firming infrastructure and sells the capacity or services provided by the asset to a third party.

The current high level design for long duration and storage appears only to provide for an arrangement where the party that delivers the infrastructure also trades directly in the market. The

currently proposed design would inappropriately limit the amount of competition for the LTESAs within the storage and firming markets. Making LTESAs available, either directly to the party that builds and owns the infrastructure and/or through the party that trades in the market, will also ensure a level playing field for parties that operate in these markets.

We appreciate the opportunity to comment on the NSW Government's issues paper. If you would like to discuss this submission, please contact me.

Yours sincerely

Eva Hanly
Executive Manager, Strategy Innovation and Technology