



ESB Transmission Access Reform: summary of stakeholder submissions

August 2022

STAKEHOLDER OPPOSITION ON COGATI WAS UNANIMOUS



SEGMENT	DEGREES OF NOT IN FAVOUR			DEGREES OF IN FAVOUR		
	DEFINITE	QUALIFIED	LEANING	LEANING	QUALIFIED	DEFINITE
INDUSTRY ASSOCIATIONS	Clean Energy Council Smart Energy Council	Australian Energy Council		Energy Networks Association Australian Aluminium Council Australia		
TRADITIONAL GENERATORS / GENTAILERS	Origin Energy Snowy Hydro	AGL Energy	ENGIE Delta Electricity			
NEW GENERATORS	Infigen Tilt Renewables Neoen Total Eren Meridian Innogy Canadian Solar X-ELIO Goldwind Stanwell Pacific Hydro	BayWa U.S. Hydro Tasmania	Enel Green Power Energy Australia			
INVESTORS	Clean Energy Investor Group Australian Financial Markets Association (AFMA) Black Rock Foresight Group Total Eren Aust PowerAR					
EMERGING RETAILERS	Flow Power ERM Power (Shell Energy) ESCO Pacific CS Energy WindLab					
NETWORK SERVICE PROVIDERS	ElectraNet Aurecon AusNet Services Energex Ergon Energy		Energy Queensland	TasNetworks		
CONSUMER GROUPS	Major Energy Users EUAA Brickworks BlueScope					

This is a summary of the positions submitted to the AEMC over the years on Coordination of Generation and Transmission Investment known as COGATI.

The views of industry were ignored and the ambition to progress with locational marginal pricing continued by the AEMC and then the ESB.

After the federal elections, the Labour Federal Government and in particular Energy Ministers unanimously agreed to shift the ESB focus and requested they explore options that industry would support and not include LMP.

MINISTERS REQUESTED ESB TO EXPLORE INDUSTRY OPTIONS

- Ministers in August 2022 requested ESB to assess Industry options that has been proposed by various industry groups and Individual businesses.
- Regardless of the lack of support from across the industry, ESB kept pushing through with Locational Marginal Pricing.
- The analysis in this report is a summary of the stakeholder submissions and views on the ESB consultation which was to assess options on Transmission access.

SNAPSHOT OF STAKEHOLDER FEEDBACK

- On the need for access reform generally, of the 28 submissions, only 4 wholly supported reform, with 11 categorically opposed and 13 unsure on the basis that the ESB had not provided sufficient information.
- Many stakeholders felt that the status quo, while not ideal, was preferable to reform.
- Many stakeholders felt other initiatives have removed the need for any access reform, such as:
 - Rewiring the Nation (building transmission)
 - Marginal Loss Factors (MLFs)
 - 5 Minute Settlement
 - AEMO & TNSPs sharing more information
- Many stakeholders had concerns that reform would create uncertainties that would increase risk and disincentivise investment in renewable generation, storage and transmission.
- Many stakeholders expressed frustration that they continue to raise concerns with the ESB about the need for reform but have been, and continue to be, ignored.

Segment	Stakeholder	Is Access Reform needed?		
		Not needed	Needed	Qualified
Gentailer	Alinta Energy	Stanwell AGL Energy	Alinta	Delta Electricity CS Energy Energy Australia Origin Energy Hydro Tasmania ENGIE
	Delta Electricity			
	Stanwell			
	AGL Energy			
	CS Energy			
	Energy Australia			
	Origin Energy			
	Shell Energy			
	Snowy Hydro			
	Hydro Tasmania			
Renewable & storage developer	Acciona	Acciona Neoen Tilt Renewables Fluence Tesla	ACEN Australia Fluence	Edify Energy
	ACEN Australia			
	Edify Energy			
	Neoen			
	Tilt Renewables			
	Fluence			
	Tesla			
Consumer and Industry Associations	Australian Alumina Council	Australian Financial Markets Association	ECA	Australian Alumina Council AEC CEIG ENA CEC EUAA
	Finnorm (Energy Consumers Australia)			
	Australian Financial Markets Association			
	AEC			
	CEIG			
	ENA			
	CEC			
EUAA				
Retailer	Flow Power	Flow Power		
Network	Energy Queensland			Energy Queensland

SNAPSHOT OF STAKEHOLDER FEEDBACK

- A review of the 28 submissions showed that only 3 companies or organisations are in favour of the ESB’s Congestion Management Model. 23 stakeholders are opposed and 3 are unsure or did not state.
- Many stakeholders felt none of the models were sufficiently well-developed to allow them to make a decision.
- Many stakeholders want to see independent cost-benefit analysis of all the models before they make a decision that will have material business and consumer impacts.

Segment	Stakeholder	Should the Congestion Management Model (Locational Pricing) be adopted?		
		No	Yes	Qualified
Gentailer	Alinta Energy	No	Yes	Qualified
	Delta Electricity			
	Stanwell			
	AGL Energy			
	CS Energy			
	Energy Australia			
	Origin Energy			
	Shell Energy			
	Snowy Hydro			
	Hydro Tasmania			
	ENGIE			Hydro Tasmania
Renewable & storage developer	Acciona	No	Yes	Qualified
	ACEN Australia			
	Edify Energy			
	Neoen			
	Tilt Renewables			
	Fluence			
Tesla	Tesla			ACEN Australia
Consumer and Industry Associations	Australian Alumina Council	No	Yes	Qualified
	Finnorm (Energy Consumers Australia)			
	Australian Financial Markets Association			
	AEC			
	CEIG			
	ENA			
	CEC			
	EUAA			
Retailer	Flow Power	No	Yes	Qualified
Network	Energy Queensland	No	Yes	Qualified

TRADITIONAL GENTAILERS – NEED FOR REFORM

Author	Quotes	Clearly support access reform
Alinta	“Alinta Energy therefore supports the ESB’s position that a whole-of-system solution to transmission access reform is needed to address these likely grid and system pressures “	Support
Stanwell	“It is Stanwell’s view that the ESB has still not provided evidence to support the progression of transmission access reform”	Do not support
AGL	“AGL does not consider that this to be a significant challenge in the medium term (i.e., over the next 10-15 years)”	
Shell	“Shell Energy still does not consider there to be a strong need to reform the current access arrangements”	
Snowy Hydro	“We consider that the case for change for this reform has not been made”	
CS Energy	“none of the proposed models are at a sufficient stage of development to estimate expected costs, including both up-front and ongoing implementation costs for all stakeholder groups as well as costs arising from potential interactions with existing frameworks”	Qualified
EA	“We acknowledge the ESB’s attempts to improve the Congestion Management Model (CMM), but consider it still falls short of its stated design objectives. Namely, to preserve dispatch outcomes that reflect what would have happened in the absence of congestion and to leave participants no worse off than under the status quo”	
Origin	“Origin remains concerned that adoption of the congestion management model (CMM) with universal rebates is unlikely to result in a net benefit and it is not clear that all generators would be fully hedged against the basis risk introduced by the congestion charge”	
Delta	“The status quo approach of “winner takes all” is designed to achieve the most efficient dispatch outcome. Any move away from this approach would need to demonstrate clear benefits greater than the cost to do so and loss of efficiency”	
Hydro Tas	“We are concerned that the ESB intend to immediately proceed to a more detailed design of only one preferred hybrid model, without further elaborating on other models identified”	
Engie	“ENGIE cautions against the ESB developing a strong view on where storage technologies such as batteries should be located”	

RENEWABLE & STORAGE INVESTORS/ DEVELOPERS – NEED FOR REFORM



Author	Quotes	Clearly support access reform
ACEN Australia	“An efficient, clear, and predictable mechanism for allocating scarce transmission capability will be crucial in giving investors the confidence they need to continue investing in the Australian energy market”	Support
Fluence	“Fluence strongly supports the establishment of a formal congestion relief market, where market participants have optionality, and a proper dispatch mechanism over a post settlement mechanism”	
Acciona	“there is a continuing absence of evidence to demonstrate that major reform to manage congestion, further than ensuring adequate transmission investment is required”	Do not support
Neoen	“It’s not that we disagree that there are problems or that things could be done better. Instead, we think the problems are overblown, and the cure is worse than the disease”	
Tilt Renewables	“Tilt Renewables considers there is not a case for reform in the Operational Timeframe”	
Tesla	“we are unsure of the equity of introducing a CMM type scheme that automatically rebates incumbent generators at the expense of potentially more competitive new entrants”	Qualified
Edify Energy	“Edify is of the opinion that a suitably informed investment community will, in the majority of cases, not seek to invest into areas of the network with pre-existing constraints that are correlated to the project’s generation profile. Reforms that alter the market’s design should therefore not be considered to address isolated incidences of this issue”	

INDUSTRY ASSOCIATIONS & CONSUMER GROUPS – NEED FOR REFORM



Author	Quotes	Clearly support access reform
ECA (Consumers) (via Finncorm)	Despite some arguments being advanced by some stakeholders following the Federal election, we are very firmly of the view that no, it certainly does not. Labor’s election victory does not negate the case for change at all” “As a result we are very confident the Labor government is now an even more closely-concerned stakeholder in the delivery of transmission access reform”	Support
Australian Financial Markets Association	“After consideration of the Consultation Paper following on from the Project Paper AFMA’s overall view continues to be that the access reform proposed by the ESB for the delivery of transmission access reform has not been justified at a basic level”	Do not support
AEC (Gentailers)	“AEC supports the ESB’s efforts to help manage the risk through a combination of efficient network expansion and, if justifiable, an access regime”	Qualified
CEIG (Investors & Retailers)	“Whilst CEIG agrees with the need for access reform to improve long-term investment timeframe signals, CEIG continues to disagree with the need for reform of short-term operational timeframe signals”	
ENA (Networks)	To achieve Australia’s decarbonisation goals for the electricity sector, ENA recognises that power system development needs to be better co-ordinated and not left entirely to decisions of individual investors. ENA agrees that the current open access model is incompatible with co-ordinated system development”	
CEC (Renewables & Storage)	“The CEC supports the ESB’s proposal for two separate models. We consider that the enhanced information elements of the congestion zones approach, paired with the Congestion Relief Market (CRM), represents the optimal mix of solutions”	
EUAA (Major Energy Users)	““While we do support the work being undertaken by the ESB on congestion management, we do wonder if it will moderate the “build, constrain, complain” approach by some market participants. We hope that the work on congestion management can be integrated into the broader transmission picture, including the pursuit of REZ by state jurisdictions, the AEMO ISP and other aspects of the transmission frameworks review”	
Australian Alumina Council (Major Energy User)	“The Council’s broad preference would therefore be for changes which minimise complexities as far as possible, and which elicit broad stakeholder consensus about their practicality. Nor should the status quo, however problematic that may currently appear, remain off the table given the likelihood that the factors discussed in the previous section are more likely to drive and enable an effective transition along pathways mapped in the ISP than transmission access reform per se”	

OTHER STAKEHOLDERS – NEED FOR REFORM



Author	Quotes	Clearly support access reform
Flow Power (Retailer)	“While we appreciate the direction given to the ESB by Energy Ministers regarding these reforms, we have not been convinced that there is a strong need for such dramatic changes from the status quo”	Do not support
Energy Queensland (Distribution Network)	“In our view, implementing a congestion management model (CMM) without a detailed understanding of implementation costs increases the financial risks for industry and customers”	Qualified

TRADITIONAL GENTAILERS – NEED FOR LMP

Author	Quotes	Clearly support the need for locational pricing
Alinta	<p>“We also support the ESB’s decision to move away from a single Congestion Management Model (CMM) approach, and towards a package of reforms targeted towards investment and operational timeframes. We believe this step will remove some of the complexity and risks presented by the former approach”</p> <p>“We also support the ESB’s decision to move away from a single Congestion Management Model (CMM) approach, and towards a package of reforms targeted towards investment and operational timeframes. We believe this step will remove some of the complexity and risks presented by the former approach”</p>	Do not support
Stanwell	<p>“Stanwell notes that over the life of the Post 2025 Market Design Review process the ESB has presented a number of iterations of transmission access reform models, with the majority of stakeholders consistently questioning the need for such complex and potentially costly changes to the current arrangements”</p>	
AGL	<p>“The ESB’s CMM model is based on a universal rebate mechanism and until this is properly quantified and further detail has been given on it, we are unable to comment on its effectiveness”</p>	
Engie	<p>“While the views of this group of stakeholders should not be determinative, their views are indicative that investors appear to prefer volume risk (i.e., the risk of being constrained off) over price risk (e.g., LMP). While MLFs have an impact on prices, they at least only change annually, and don’t undermine hedging strategies”</p>	
Shell	<p>“An area that remains unclear to Shell Energy is with regards to claims made in the Paper that the CMM will reduce costs to consumers via improvements in dispatch outcomes. In isolation, neither the CMM nor CMM will necessarily improve network flows to consumer loads”</p>	
Snowy Hydro	<p>“Snowy Hydro is disappointed that the ESB continues to recommend a radical access reform model, and in particular, the adoption of local marginal prices (LMPs). We consider that the case for change for this reform has not been made”</p>	
CS Energy	<p>“broad assessment of proposed alternatives and their potential modifications offered the opportunity to deliver the bulk of the stated benefits of the ESB’s preferred models [CMM] without the complexity or cost of those ESB preferred models, but that opportunity appears lost”</p>	
EA	<p>“We acknowledge the ESB’s attempts to improve the Congestion Management Model (CMM), but consider it still falls short of its stated design objectives. Namely, to preserve dispatch outcomes that reflect what would have happened in the absence of congestion and to leave participants no worse off than under the status quo”</p>	
Origin	<p>“Origin remains concerned that adoption of the congestion management model (CMM) with universal rebates is unlikely to result in a net benefit and it is not clear that all generators would be fully hedged against the basis risk introduced by the congestion charge”</p>	
Delta	<p>The status quo approach of “winner takes all” is designed to achieve the most efficient dispatch outcome. Any move away from this approach would need to demonstrate clear benefits greater than the cost to do so and loss of efficiency”</p>	
Hydro Tas	<p>We are concerned that the ESB intend to immediately proceed to a more detailed design of only one preferred hybrid model, without further elaborating on “other models identified”</p>	Qualified

RENEWABLE & STORAGE INVESTORS/DEVELOPERS – NEED FOR LMP

Author	Quotes	Clearly support the need for locational pricing
ACEN Australia	“Australia is the only market globally that we can think of where no financial tools, such as access rights or compensation, are available to manage congestion. In our view, the core focus of this reform process should be to develop such tools”	Support
Fluence	“Fluence prefers the Congestion Relief Market (CRM) model over the Congestion Management Model (CMM) and supports the active development of an established market for selling and purchasing congestion relief”	Do not Support
Acciona	“While ACCIONA continues to question the need for this reform and seeks the case for change to be clearly established, there are some ‘no regrets’ actions that could mitigate congestion risk in the National Electricity Market”	
Neoen	“We disagree that investors are without locational signals and that fundamental reforms are needed”	
Tilt Renewables	“making radical and disruptive changes in the operational timeframe, such as Locational Marginal Pricing, are unnecessary, harmful to the market and will almost inevitably result in significantly higher prices for electricity customers” “It is difficult to come up with a better example of a ‘solution’ desperately seeking a problem to solve than Local Marginal Pricing” “As it [ESB] is now agreed CMM/LMP does not address the most important problem being addressed by transmission access reform (i.e., reducing congestion and curtailment) there is even less reason to continue consideration of this model”	
Tesla	“the inefficient approach of the ESB’s CMM that proposes to ‘smear’ congestion costs and rebates across all participants through out-of-market constructs”	
Edify Energy	“The proposed CMM will substantially increase these market and forecasting risks by introducing an additional assessment variable and source of revenue uncertainty”	

INDUSTRY ASSOCIATIONS & CONSUMER GROUPS – NEED FOR LMP

Author	Quotes	Clearly support the need for locational pricing
ECA (Consumers) (via Finncorm)	<p>“The antidote to both of these [generator behaviour & poor investment price signals] is appropriate and transparent pricing of congestion via exposure to locational marginal pricing – even if the settlement residue is distributed back to participants, the operational and investment timeframe price signals are likely to be very effective”</p> <p>“LMP+FTR offers very material savings to consumers through more efficient dispatch, and more efficient location of new investment in generation capacity relative to the existing and new transmission assets. This is a relatively mature reform proposal, developed carefully, supported by clear cost-benefit analysis. Having said that, we do not think LMP+FTR would be sufficient”</p>	Support
Australian Financial Markets Association	<p>“AFMA is commenting at the strategic level on the direction of reform travel as we believe that essential market threshold analysis has not been provided to give confidence that the design and current proposals take into account the financial market consequences of the design proposals. The focus on spot market access objectives without taking into account the essential financial risk management dimension supporting investment in energy distribution runs counter to the primary policy objective of the reforms which is to reduce cost to the consumer”</p>	Do Not Support
AEC (Gentailers)	<p>“The CMM would improve dispatch efficiency in some scenarios, but in the forms specified to date, it does not appear to resolve the serious status quo issue of mis-priced dispatchable load, such as storage”</p> <p>“There is also significant concern in industry that the CMM will introduce new complexities in predicting spot revenues that complicate trading of derivatives. The ESB has gone to considerable length to socialise the design in order to overcome this concerns, yet industry remains unreconciled to it. It is time to move on”</p>	
CEIG (Investors & Retailers)	<p>“Whilst CEIG agrees with the need for access reform to improve long-term investment timeframe signals, CEIG continues to disagree with the need for reform of short-term operational timeframe signals”</p>	
CEC (Renewables & Storage)	<p>“For the avoidance of doubt, the CEC does not currently support or endorse the CMM, in any form. The ESB must now undertake full due diligence on all the proposed models, through rigorous dynamic market modelling and CBA analysis”</p>	
EUAA (Major Energy Users)	<p>“It must be recognised that none of the congestion management models that have been put forward (including those that have been rejected) materially resolve congestion i.e. none facilitate the actual construction of new transmission that was contemplated as part of the much broader Coordination of Generation and Transmission Investment (CoGaTI) program”</p>	
Australian Alumina Council (Major Energy User)	<p>“The Council’s broad preference would therefore be for changes which minimise complexities as far as possible, and which elicit broad stakeholder consensus about their practicality. Nor should the status quo, however problematic that may currently appear, remain off the table”</p>	
ENA (Networks)	<p>“With the move to net zero the need to step up the development of new renewables, transmission and critical essential system services has taken a step change. Transmission network is a critical enabler of the move to a low emissions economy whilst maintaining an efficient level of congestion”</p>	Qualified

OTHER STAKEHOLDERS – NEED FOR LMP

Author	Quotes	Clearly support the need for locational pricing
Flow Power (Retailer)	“further, the ESB has not produced compelling evidence that disorderly bidding will create inefficiencies or whether congestion management model (CMM) is an effective solution. In a power system with a growing amount of zero marginal cost generation, the inefficiencies arising from disorderly bidding will decrease in materiality”	Do not Support
Energy Queensland (Distribution Network)	“In our view, implementing a congestion management model (CMM) without a detailed understanding of implementation costs increases the financial risks for industry and customers”	

SNAPSHOT OF STAKEHOLDER FEEDBACK – MODEL PREFERENCE

Red indicates no support, orange some support or more detail required, green indicates definite support

- The case to move away from the status quo has not been made.
- There is no clear “winning model”, despite the ongoing process of access reform over several years.
- The Transmission Queue model is least liked.
- The ESB model (CMM) is also not well supported and LMP has consistently been unsupported by all sectors.
- Broadly "operational timeframe" models are not supported, but there is limited support for a model in "investment timeframes".

Sector	Company	Model Preferred				
		Hybrid	Operational Timeframes		Investment Timeframes	
		CEC CRM+Info	CMM+Rebate (ESB Model)	CRM	CZ+CF	TX Queue
Gentailers	Alinta Energy					
	Delta Electricity					
	Stanwell					
	AGL Energy					
	CS Energy					
	EA					
	Origin Energy					
	Shell Energy				Shell model	
	Snowy Hydro					
	ENGIE					
Hydro Tasmania						
Renewable & Storage Developers	Acciona					
	ACEN Australia					
	Edify Energy			Edify model		
	Neoen					
	Tilt Renewables					
	Fluence					
Industry Association & Consumer Groups	Tesla					
	Finnorm (Energy Consumers Australia)					
	Australian Financial Markets Association					
	AEC					
	CEIG					CEIG model
	ENA					
	CEC	CEC Model				
	EUAA					
Australian Alumina Council						
Retailer	Flow Power					
Network (DNSP)	Energy Queensland					