

18 August 2023

Dr Kris Funston  
Executive General Manager  
Australian Energy Regulator

By email: [aerinquiry@aer.gov.au](mailto:aerinquiry@aer.gov.au)

Dear Kris

## **RE: AER guidance on amended National Energy Objectives**

AusNet welcomes the opportunity to provide this submission to the Australian Energy Regulator's (AER) guidance on the amended National Energy Objectives. We understand that this guidance primarily deals with regulatory processes that are currently underway, but this will also impact the preparation of AusNet's next regulatory proposal for 2026-2031, for which substantial work is underway.

The National Energy Objectives will now, for the first time, have regard to targets set by state and federal governments in respect to reducing emissions, or indirectly reducing emissions through renewable energy or electrification targets. These targets will have been developed to achieve governments' ambitions in reaching Net Zero, in the case of Victoria by 2045 and by 2050 for the Federal Government.

While we understand the emissions reduction objective will be one of several objectives that the AER will be compelled to consider and balance in making decision—others being price, quality, safety, reliability and security of supply—it is important the AER's decisions enable the achievement of Net Zero targets adopted by State and Federal governments.

For example, the Victorian Government has recently legislated ambitious emissions reductions targets to set the pathway to Net Zero by 2045:

- 28-33% by 2025
- 45-50% by 2030
- 75-80% by 2035.

This is supported by a set of industry-specific targets:

- increasing the Victorian Renewable Energy Target to 65% by 2030 and setting a VRET target of 95% renewable electricity generation by 2035
- energy storage targets of at least 2.6 GW of energy storage capacity by 2030 and at least 6.3 GW by 2035
- 50% of new light vehicle sales to be zero emissions vehicles by 2030.

Meeting these targets will require a significant increase in investment in electricity networks to accommodate electrification of both the transport and gas, and enable renewable energy. It is important that the energy market institutions and the regulatory framework facilitate efficient and prudent network investment to meet government targets. Inherently government targets are driven by the need or want to improve outcomes for local communities, homes and businesses, and they will typically be underpinned by analysis and assumptions around cost, welfare, safety and security. This analysis will likely capture a broader range of objectives than included in the National Energy Objectives and will also consider transition paths for other sectors, such as transport.

The AER guidance should clarify how it will apply the updated National Energy Objectives to ensure efficient investment to deliver government policy targets is supported. Otherwise, regulatory decisions will be misaligned with policy. This will create significant uncertainty for network businesses and their customers and may have much higher detrimental outcomes in the long term (e.g., not achieving Net Zero targets that are considered to be paramount to human welfare).

We are already considering projects that may be needed to deliver the ambitious government targets on the pathway to Net Zero. Below we provide an example of a project that we are considering at present, and opportunities for further engagement with the AER.

## **Enabling efficient connections of renewable generation**

AusNet is receiving a significant volume of requests to connect grid scale wind and solar projects to the sub-transmission portion of our distribution network. In some cases, it is a cheaper option for large generation proponents to connect to the sub-transmission network than the transmission network, or the location may simply be more convenient for their project. However, we anticipate that the available capacity will start to be constrained in a number of areas of our distribution network in the coming years.

AusNet is in the early stages of scoping a program that would potentially augment portions of our sub-transmission network to increase the capacity for large scale renewable generation to connect. There are parts of the network where these upgrades to the sub-transmission network may increase generation hosting capacity relatively quickly and cost-effectively, to enable additional renewable generation to connect to the National Electricity Market. This would be a significant compliment to the transmission upgrade projects currently underway in Victoria, likely bringing forward renewable generation necessary to reach Net Zero.

We are currently working on modelling to quantify the emissions reductions these augmentation projects could provide and will be engaging with our stakeholders (including the AER) soon. We would like to work with the AER to better understand the manner in which it would seek to balance the overall National Energy Objectives in respect to these types of projects, given the ambitious renewables target in Victoria. This is particularly important in the context of the Better Resets Handbook, where customer and stakeholder feedback will also drive outcomes.

If you have any questions about the submission or if you would like to discuss further, please contact Sonja Lekovic on [REDACTED]

Sincerely,



Charlotte Eddy  
General Manager Regulation and Policy (Distribution)  
**AusNet**