

13 November 2024

General Manager Policy
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

Lodged via email: AERringfencing@aer.gov.au

Dear Mr Feather,

Re: APA Submission to Issues Paper - Transmission Guideline negotiated services updates

Thank you for the opportunity to comment on the Issues Paper - Transmission Guideline negotiated services updates (Issues Paper), published on 23 October 2024.

APA is an ASX listed owner, operator, and developer of energy infrastructure assets across Australia. Through a diverse portfolio of assets, we provide energy to customers in every state and territory. As well as an extensive network of natural gas pipelines, we own or have interests in gas storage and generation facilities, electricity transmission networks, and 692 MW of renewable generation and battery storage infrastructure.

APA is the operator of two fully regulated interconnectors in the National Electricity Market (NEM): Directlink and Murraylink. As registered Transmission Network Service Providers (TNSPs), Directlink and Murraylink are subject to ring-fencing obligations under the Electricity Transmission Ring Fencing Guidelines (the Guideline).

APA supports enhancements to the electricity transmission ring fencing framework that are fit for purpose and do not place an undue regulatory burden on TNSPs. In contrast to the distribution network service provider industry in the NEM, which is characterised by a relatively homogenous group of businesses, the TNSP industry is very different.

The five TNSPs (Powerlink, Transgrid, AusNet, ElectraNet, and TasNetworks) that are responsible for managing the transmission network in each of the NEM's jurisdictions are medium to large businesses, with an average annual opex of over \$100m. The two other registered TNSPs, Directlink and Murraylink, however, have a much smaller operating budget (around \$4 - \$5m per annum).

Directlink and Murraylink are both interconnectors and have characteristics that make them very different to the jurisdictional TNSPs:

- **Size:** They are much smaller assets than the jurisdictional TNSPs: the Directlink interconnector is 63km long and Murraylink is 180km.
- **HVDC:** Both interconnectors use High Voltage Direct Current (HVDC) to transmit energy, in contrast to the more common alternating current (AC) systems. Both Directlink and Murraylink are unlikely to have generation assets connected to them.
- **Reference nodes:** Neither Directlink or Murraylink are connected to the local reference node for the purposes of the NEM dispatch engine.
- **Control:** AEMO directly controls the operation of Directlink and Murraylink, including how much of, and how often, capacity is dispatched.

To ensure that any amendments to the Guideline do not impose unnecessary costs on industry, these market characteristics should be taken into account.

Our submission below provides high level views on matters raised in the Issues Paper:

1. **Requiring additional reporting on delivery of services** – the Issues Paper proposes including a requirement for additional, public reporting by TNSPs on relevant aspects of delivery of negotiated transmission services, as well as extending compliance reporting from contestable services.¹

APA response: Additional costs may be incurred by TNSPs to implement additional compliance and public reporting. For small TNSPs, these costs could be material and unlikely to create any benefits for consumers. This is because issues relating to visibility of connections are unlikely to occur.

2. **Extending the current obligation in respect of staff separation** – the Issues Paper suggests two potential changes relating to staff separation: (1) requiring separation of marketing staff involved in the provision of negotiated transmission services from staff involved in the provision of contestable electricity services or (2) widening the scope of staff separation beyond marketing staff.²

APA response: APA questions whether the benefits of extending staff separation outweigh the potential costs, particularly for small TNSPs. While we have not endeavoured to quantify the additional cost of the AER's proposal, any new or expanded ring fencing obligations could have a material impact on operating costs.

3. **Introducing restrictions on cross-branding and promotions** – the Issues Paper proposes that the type of customers seeking connection to the transmission network has changed with the introduction of small renewable generators and storage providers, and that these customers may not have the capacity to engage readily with TNSPs on all aspects of a new connection.³

APA response: APA maintains the view that given the size and sophistication of entities looking to procure negotiated services (including renewable generators and storage providers), greater restrictions on cross branding could impose significant cost for little gain, particularly for smaller TNSPs. There should not be a 'one size fits all' approach.

4. **Removal of the maximum period limitation for granting a waiver** – the Issues Paper considers removing the limitation on waiver duration.⁴

APA response: APA supports the proposal to remove the maximum period limitation for granting a waiver as it would reduce the administrative burden of re-application process.

5. **Sign-offs for Annual Compliance Reports** – the Issues Paper proposes introducing a requirement that annual ring-fencing compliance reports must be submitted to the AER with an accompanying cover letter, signed by the most senior executive of a TNSP.⁵

APA response: TNSPs currently submit an annual ring-fencing compliance report at the end of April each year. This report must be accompanied by an assessment of compliance by an independent authority. Accordingly, there does not appear to be any value to extending the sign off provision given the requirement to have an independent assessment of compliance. Given Directlink and Murraylink employ no staff, this requirement will impose an additional regulatory burden on APA.

Thank you for considering APA's submission. If you wish to discuss our submission in further detail, please contact Julie Dixon on [REDACTED] or [REDACTED].

Yours sincerely,

[REDACTED]

John Skinner
Senior Manager Policy
Strategy and Corporate Development

¹ Ref: section 3.3, page 18 of the Ring-fencing guideline (electricity transmission) Issues paper.

² Ref: section 3.4, page 19 of the Ring-fencing guideline (electricity transmission) Issues paper.

³ Ref: section 3.5, page 21 of the Ring-fencing guideline (electricity transmission) Issues paper.

⁴ Ref: section 3.6.1, page 22 of the Ring-fencing guideline (electricity transmission) Issues paper.

⁵ Ref: section 3.6.2, page 22 of the Ring-fencing guideline (electricity transmission) Issues paper.