

13 November 2024

Stephanie Jolly
Executive General Manager
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Submitted via: AERringfencing@aer.gov.au

Dear Ms Jolly,

Ring-fencing guideline (electricity transmission) – Issues paper

Erne Energy welcomes the opportunity to provide a submission to the AER's Issues Paper on Updating the electricity transmission ringfencing guideline to include negotiated transmission services. The inclusion of negotiated transmission services in the ringfencing guideline, following the final determination of the AER's rule change proposal¹ is critical given the pressing need to connect new renewable generation and batteries.

Australia needs to add 55 GW of new renewable generation and 12 GW of electricity storage to the NEM by 2030². This will require significant construction of both connection assets and new transmission lines, particularly in the many Renewable Energy Zones (REZ), to ensure that low carbon and low-cost electricity can reach customers.

While there has been a recent increase in financially committed renewable generation and storage projects, these projects have yet to secure connections. Australia is behind in connecting new generation and constructing new transmission, both connection assets and interconnectors, potentially resulting in Australia not meeting emissions targets or the 82 % renewable generation by 2023³.

As the AER notes, expeditiously and efficiently connecting new generation is critically important in progressing the energy transition⁴.

The AEMC rejected contestability for new transmission interconnectors during the Transmission Planning and Investment Review (TPIR)⁵. However, contestability in connections should expedite the delivery of new connection assets, while ensuring that is delivered efficiently and at lowest cost to consumers.

Incenta's report for Energy Networks Australia states that:

"...it was a clear intent of the AEMC's framework that TNSPs would remain the dominant provider of contestable connection services but contestability would discipline the behaviour of the incumbent TNSPs."⁶

It seems clear that the intent of the Rules to introduce competition to connection services has not yet resulted in genuine competition with the incumbent Transmission Network Service Provider (TNSP) still providing all aspects of new connections. As a result, the Ring-fencing guideline (electricity transmission) offers the best opportunity to address the failure of the Rules to deliver proper competition. The AER needs to establish robust guidelines to ensure that the TNSPs do not leverage their monopoly position to thwart the efficient delivery of connection assets.

¹ https://www.aemc.gov.au/sites/default/files/2024-05/erc0371_-_expanding_the_transmission_ring-fencing_framework_-_final_determination.pdf

² <https://aemo.com.au/-/media/files/major-publications/isp/2024/2024-integrated-system-plan-overview.pdf?la=en>

³ <https://www.smh.com.au/business/the-economy/australia-is-building-more-renewables-than-ever-it-s-still-not-enough-20240920-p5kc5j.html>

⁴ <https://www.aer.gov.au/system/files/AER%20-%20Consultation%20Paper%20-%20Options%20to%20address%20gaps%20in%20the%20transmission%20ring-fencing%20framework%20-%20May%202023.pdf>

⁵ <https://www.aemc.gov.au/market-reviews-advice/transmission-planning-and-investment-review>

⁶ <https://www.energynetworks.com.au/resources/reports/incenta-report-competition-issues-for-contestable-transmission-connection-projects/>

The benefits of ensuring genuine competition in the provision of new connection assets is that they can be delivered on time, efficiently and at lowest cost. This accelerates the connection of renewable generation and storage, reducing the cost of the transition to consumers, while also ensuring low cost and low carbon electricity reaches consumers⁷.

The AER is unlikely to receive evidence from parties trying to connect new projects that TNSPs are manipulating the market for competitive connection assets because, regardless of who delivers the connection asset, the connecting party must work with the TNSP to secure a connection agreement. This results in a tension between the generator wanting a confirmed connection and technical requirements and the generator needing the physical connection asset delivered in a timely manner. A TNSP may exploit this tension to maximise their involvement in delivering the asset, as well as setting the connection requirements and timings.

Given the potential dual role of the TNSP in connecting generation (prescribed services) and competitively delivering connection assets (negotiated services), it may be problematic for generators with current and future projects awaiting connection to share publicly any concerns with TNSP behaviour for fear it will compromise future dealings with the TNSP.

The fact that there are very few third-party provided connection assets⁸, suggests that the competitive connection provisions in the Rules are not working as intended and that ringfencing requirements are needed for negotiated services provided by TNSPs and their affiliates.

Information is the critical missing piece to ensuring that TNSPs are not misusing their market power. TNSPs should be required to share data on the (applicant identity to be withheld):

- Number of connection applications
- Approaches for competitive connection assets (TNSP and affiliate)
- Time taken to process each connection application (at all stages)
- Time to process requests for connection assets
- Identification of whether connection applicant has approached other providers of connection assets

Not an exhaustive list

The transparent sharing of information will allow an assessment of the connection applicant experience and TNSP performance. It also has the benefit of identifying where the delays in connecting the new generation occur. The AEMO Scorecard⁹ is a valuable resource and TNSPs and their affiliates should be sharing their connection information separately and transparently.

Thank you for the opportunity to comment on the Issues Paper. Please just get in touch if you need further information.

Yours Sincerely



Dr. Jill Cainey

⁷ <https://aemo.com.au/-/media/files/major-publications/qed/2024/qed-q1-2024.pdf?la=en>

⁸ <https://www.aer.gov.au/documents/cefc-review-options-address-gaps-transmission-ring-fencing-framework-submission-9-june-2023>

⁹ https://aemo.com.au/-/media/files/electricity/nem/network_connections/connections-scorecard/2025/september-2024.pdf?la=en