

Mr. Mark Feather
General Manager, Strategic Policy and Energy Systems Innovation
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By email to: AERringfencing@aer.gov.au

Dear Mr. Feather,

Ring-fencing Guideline Electricity Transmission – Consultation Paper: Options to address gaps in transmission ring-fencing framework

Iberdrola Australia welcomes the opportunity to provide a submission to the AER on the Consultation Paper: Options to address gaps in transmission ring-fencing framework.

The Iberdrola group has become one of the leaders in the Australian renewable energy market after acquiring Infigen Energy in 2020. The company operates more than 800 MW of solar, wind and storage batteries in Australia and has a significant portfolio of projects, of which 453 MW are under construction and more than 1,000 are in various stages of development.

The Iberdrola group is also recognised globally by its experience building, operating and maintaining electricity lines, substations, transformation centres and other infrastructures to transfer electrical power from the production centres to the end user across relevant jurisdictions as [Spain](#), [UK](#), [US](#) and [Brazil](#). Iberdrola currently operates one of the world's largest power distribution systems, comprising more than 1.2 million kilometres of distribution lines and more than 4,400 substations, which carry electricity to more than 34 million people around the planet. Forty percent of the group's organic investment for the period 2020-2025 (more than €27 billion) will go to the networks area. Iberdrola Australia is actively looking to fully roll-out these capabilities in country, demonstrating its strong commitment to Australia's energy transition.

We welcome and fully support the AER Consultation Paper on Options to address gaps in transmission ring-fencing framework. We strongly supported the AER review of the ringfencing guidelines for electricity transmission. In our submission to the Draft Guideline¹ we strongly encouraged the AER to urgently submit a rule change request to expand their ring-fencing powers to connections, with an ability to ringfence negotiated transmission services, in addition to prescribed transmission services.

¹ https://www.aer.gov.au/system/files/Iberdrola%20Australia%20-%20Ringfencing%20Draft%20Determination%20Submission%20December%202022_Redacted.pdf

We believe only Option 2, a rule change that expands the ring-fencing framework of the NER to include the ability to ring-fence negotiated transmission services, in addition to prescribed transmission services, will give the AER the necessary tools to directly address discriminatory behaviour related to contestable connections.

It seems clear that the AEMC intended that ringfencing would be extended to encompass negotiated transmission services when originally making the rule for contestable connections, while noting that revisions to the ringfencing guideline were out of its scope. Given the critical need to rapidly progress the connection of new renewable generation as part of the transition to a low cost, low carbon electricity system, ensuring that TNSPs do not discriminate in favour of their own businesses is essential to ensure genuine competition for, and low-cost delivery of, connection assets.

As with the current Ring-fencing guideline (lectricity transmission) 2023, the AER need to ensure that the compliance framework underpins the requirements for TNSPs to eliminate discriminatory behaviour related to contestable connections. This includes:

- Requirements to report non-compliance to monitor and ensure that TNSPs adhere to the guidelines;
- Information sharing to reduce the natural asymmetry advantage the TNSPs hold; and
- Developing penalties to apply for non-compliance.

We continue to believe that the Ringfencing Guideline Electricity Transmission, including the non-discriminatory treatment of negotiated transmission services, must be supported by a penalty regime, just as applies for the distribution networks. Without penalties there is a risk that the TNSP will view contravening their Ringfencing Guideline as a reasonable approach. It is critical that TNSPs are held to account in the same way as DNSPs and ensures that the treatment of TNSPs and DNSPs is consistently managed. It would also give Australians, industry and investors the confidence that the TNSPs will behave appropriately as the decarbonisation of the National Electricity Market continues at pace.

Thank you for the opportunity to comment and we look forward to continuing to work with the AER to refine the design of the Ringfencing Guidelines. If you would like to discuss any of the issues raised in this submission, please contact Maheshini (Mesh) Weerackoon via email at [REDACTED].

Yours Sincerely,

[REDACTED]

Ricardo Da Silva
Network Business Development Manager