

ABN 70 250 995 390

180 Thomas Street, Sydney
PO Box A1000 Sydney South
NSW 1235 Australia
T (02) 9284 3000
F (02) 9284 3456

Friday, 2 February 2024

Submitted by email to <mailto:energy.consult@dpie.nsw.gov.au>.

Dear Sir/Madam,

Orderly Exit Management Framework Consultation

Transgrid welcomes the opportunity to respond to the Orderly Exit Management Framework (OEMF) Consultation Paper published on 15 December 2023 by the Commonwealth Department of Climate Change, Energy, the Environment and Water (DCCEEW).

Transgrid operates and manages the high voltage electricity transmission network in NSW and the ACT, connecting generators, distributors, and major end users. We have an important role in managing one of the key parts of the Australian energy system as it transitions to a higher renewables penetration and materially increases in operational and planning complexity.

We remain committed to playing our part in the energy transition, including to ensure that there are sufficient new transmission network upgrades and levels of system security services in NSW to maintain the reliability and security of the power system following the retirement of coal-fired power stations, and to facilitate the new entry of renewables into the system. We strongly value our collaborative relationship with the NSW Government which is critical to maintaining a reliable and affordable NSW electricity system throughout the transition.

We understand that in November 2023, Energy Ministers agreed to release this consultation paper to obtain feedback on the OEMF to help inform regulatory implementation. The OEMF is proposed as an opt-in transition backup for NEM jurisdictions to give governments the choice of a new tool to manage the closing date of retiring thermal generators, so the generation can be available if needed as new renewables connect to the grid. We support the proposed direction of the OEMF reforms to establish a clear and transparent process for Government to manage the orderly retirement of thermal generators.

We have provided feedback in our submission attached. If you require any further information, please feel free to contact me or Sam Martin at Sam.Martin@transgrid.com.au.

Yours faithfully

A handwritten signature in black ink, appearing to read "Maryanne Graham".

Maryanne Graham

Executive General Manager, Corporate & Stakeholder Affairs

Orderly Exit Management Framework Consultation

Transgrid submission to the Energy Minister's consultation paper.

Summary and context

The scale, speed and challenge of the clean energy transition to meet government emissions reduction targets is enormous. Australia is attempting a world first large-scale grid dominated by variable renewable energy incorporating a wider range of technologies, more diverse geographical locations, higher variance in demand, and greater reliance on storage and active management of power flows. All of this adds complexity, risk and volume to the work of the teams planning, building and operating our transitioning grid.

Transgrid is proactively exploring these challenges and increasing complexity as shown through our recently published System Security Roadmap.¹ This Roadmap outlines our three-pillar plan to transform the state's power system and ensure the secure operation of the grid, at up to 100% instantaneous renewables, over the next decade. It covers:

- Energy Reliability – How we will develop large-scale transmission infrastructure to support new renewable generation and storage as coal generators retire.
- System Security – How we will deploy system security infrastructure and services to keep the grid operating within a safe technical envelope.
- Operability – How we will develop our people, processes and tools to meet the increased volume and complexity of work to plan, manage and operate a grid powered by renewables.

Transgrid supports the proposed OEMF given it supports the Roadmap's Energy Reliability pillar in ensuring the build out of new transmission, renewables and storage capacity can be optimally timed with the retirement of existing thermal generation. In addition, we support the OEMF including consideration of system security risks related to accelerated thermal retirements.

We encourage further consideration of, including outside this specific reform process, the operability pillar challenges of planning, managing and operating the power system to enable Government emissions reduction targets. If system security risks are not comprehensively addressed, Australia's clean energy transition will be beset by costly uncertainty and delays.

Addressing these risks should include reforms to make network and system security planning more proactive and enable key parties, including AEMO and transmission network service providers (TNSPs) to manage system security through the transition. Prior to enduring longer-term reform being settled, we encourage Government direction to TNSPs to carry out critical system security work to ensure the network can be securely operated. These directions, either via Government or AEMO, would help justify required improvements to tools, processes and people at this critical juncture of the transition.

¹ For more detail on the System Security Roadmap see our website [here](#).

Greater coordination with TNSPs to manage system security risks

Under the proposed framework, if a generator notifies the bring forward of its closure date, the respective jurisdiction's Minister can direct AEMO to undertake a System Needs Assessment to identify whether this may lead to a system needs shortfall in the NEM jurisdiction it is located in.

The System Needs Assessment is proposed to include a reliability and system security needs assessment which also informs any follow-on identification of alternative solutions. Consideration of system security needs is proposed to involve a high-level assessment by AEMO of the impact on system security unless, in AEMO's opinion, there is a compelling need to update the annual power system security reports.

Where the Minister believes that the early closure will contribute to a system needs shortfall they can trigger further actions under the framework, including to determine appropriate solutions to this shortfall and fund them through the framework.

Transgrid recommends that TNSPs be included within the framework as a key party to assist in the System Needs Assessment and identification of alternative solutions. TNSPs play a key role in managing system security and reliability within the NEM and thus are well placed to support identifying system needs shortfalls and efficient responses to any identified shortfall.

We also note that it is important that any assessment of system needs be carried out with acknowledgement that the impacts of accelerated closure of thermal plant will impact multiple regions. Hence it is important that this is recognised within the OEMF to ensure that assessment of system needs, and potential responses are not limited to a single jurisdiction.

Cost recovery framework

The OEMF proposes that costs are recovered from energy consumers, of the respective state, through TNSP pricing. This involves an annual determination process to set an 'OEM Contribution' amount of forecasted costs under the scheme. This amount would be passed on separately to NSW customers through the annual TNSP pricing process. The TNSP would then pass on the collected funds to an entity (expected to be the 'OEM Fund') that would pass these amounts on to pay for services procured under the scheme.

Transgrid provides the following points of feedback:

- Any new cost recovery framework includes clear and adequate timelines to ensure minimal administrative impact on TNSPs and to allow for inclusion in annual pricing processes.
- The OEM contribution should be a "side adjustment" rather than a Maximum Allowed Revenue (MAR) adjustment which may impact regulatory benchmarking and other arrangements that link to the MAR.
- 'Overs and unders' cashflow risk should be managed by the OEM Fund, not the TNSP. Placing this cashflow risk on TNSPs, at the potential scale of funds required, may create material financing risks that could have flow on impacts to consumers.
- We recommend Government consult directly with networks on the proposed cost recovery framework to ensure practical implementation into the NEL and NER.

Transgrid has also contributed to an ENA submission and supports the views canvassed in that submission.

<ENDS>