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Friday, 12 August 2022

Rachel Parry
Deputy Secretary Energy Climate Change and Sustainability
Office of Energy and Climate Change

By email: electricity.roadmap@dpie.nsw.gov.au

Dear Rachel

Draft Central-West Orana Access Scheme Declaration and Appendix B of Position Paper

Transgrid welcomes the opportunity to respond to the NSW Government's draft Central-West Orana (CWO) REZ Access Scheme Declaration and accompanying Position Paper.

Transgrid notes that the NSW Government is also consulting specifically in relation to Appendix B of the Position Paper, which describes the proposed modifications to the National Electricity Rules. Transgrid's comments on Appendix B are also provided as part of this submission.

Comments on the Position Paper

Transgrid broadly supports the NSW Government's approach in the Position Paper. In particular, we agree with the NSW Government's views in relation to target curtailment and headroom; short duration storage; and access control mechanisms, as explained below:

- **Target curtailment and headroom.** We support the increase in the target curtailment, which is expected to increase the available capacity in the CWO REZ from 3.69 GW to 5.84 GW. Transgrid notes that the proposed approach will increase the utilisation of the REZ network for the benefit of consumers. We also support the proposed approach to the related issues of 'headroom', which should also ensure that the access rights network is utilised effectively.
- **Short duration storage.** We agree that the inclusion of short duration storage in the initial allocation of access rights is likely to improve outcomes for consumers. As noted in the Position Paper, short duration storage has the potential to unlock a range of additional services, including load-shifting; frequency control; system strength; and system restart support. By unlocking these services early in the process, more efficient use will be made of the access rights network.
- **Access control mechanisms.** We have previously expressed concern that an access control mechanism may introduce additional costs and complexity for new generators seeking to connect to Transgrid's existing network. By creating an additional burden on connecting parties, an access control mechanism may inadvertently discourage new generation in NSW, to the detriment of consumers. We therefore welcome the decision not to adopt an access control mechanism in relation to the CWO REZ.

While supporting the Position Paper, Transgrid would welcome clarification on connection agreements, the REZ connection process; and system strength, as explained below.

- **Connection agreements.** We agree with the conclusion in the Position Paper that the connection agreements should be a bilateral contract between the connecting party and the Network Operator, rather than a tripartite agreement with Transgrid. Nevertheless, arrangements need to be put in place to ensure that parties connected to the access rights network cannot adversely affect Transgrid's network or the services we provide. In particular, the contractual arrangements – including the respective roles and responsibilities of each party – will need to be examined carefully to ensure that all risks are identified and effectively managed. For example, there will likely be operational matters from time to time that will require cooperation between Transgrid, the Network Operator and parties connected to the access rights network. Transgrid would welcome further dialogue with the NSW Government in relation to these matters.
- **REZ connection process.** We support the Position Paper's proposed modifications to the batching process which relate to the modelling arrangements for assessing connection applications. In relation to the roles and responsibilities, we note that the Position Paper proposes that the Infrastructure Planner will act as 'batch administrator' for power system studies. However, the Position Paper does not explain Transgrid's role in conducting power system studies or how these responsibilities will be shared with the Infrastructure Planner. Transgrid would welcome clarification of these arrangements.

Transgrid also seeks clarification on the arrangements for Dedicated Connection Assets (DCA) that connect to the access rights network. While the Position Paper clarifies that network extensions seeking connection to the REZ network infrastructure will be required to hold access rights at the point of connection and the Designated Network Assets provisions in the National Electricity Rules will be disapplied in relation to the REZ network, it is not clear whether DCAs that connect to the access rights network will be subject to a contestable process or not. Transgrid's view is that the current contestability requirements under the National Electricity Rules should apply to DCAs connecting to the access rights network. The contestable arrangements for DCAs under the NER have been in place for some time and are proven to be workable for the benefit of consumers.

- **System Strength.** The Position Paper indicates that the system strength requirements will be met by the Network Operator and recovered from connecting parties. As drafted, the approach appears to preclude the possibility that the Network Operator addresses the system strength issues by procuring services from Transgrid.

Our preference is that the Network Operator and Transgrid engage in joint planning to provide the lowest cost system strength solution across the combined networks, which will minimise the total costs for the benefit of consumers. This approach could still provide cost certainty to connecting parties, which appears to be the intention of the proposal outlined in the Position Paper. Transgrid would welcome the NSW Government's consideration of a joint planning approach to the provision of system strength services.

Comments on Appendix B – Proposed amendments to the National Electricity Rules

Transgrid notes that Appendix B of the Position Paper provides a high-level description of the changes to the National Electricity Rules that are required to give effect to access arrangements under the NSW

framework. Given the extent of the changes required, it will be important to be able to review the proposed amendments themselves, as well as how they fit with existing provisions in the National Electricity Rules, to identify any issues arising, including possible unintended consequences. At this stage, however, we would like to make the following observations:

- **Commencement of the connection process.** The relevant policy position is reproduced below for ease of reference:

Following the allocation of access rights, access right holders will receive information equivalent to that contained in a response to a connection enquiry under the NER from the Infrastructure Planner or the relevant Network Service Provider to enable the preparation of an application to connect.

The position indicates that the information in response to a connection enquiry could be provided by the 'Infrastructure Planner or relevant Network Service Provider'. Transgrid notes that the provisions will need to clarify which party provides the information and identify the 'relevant' Network Service Provider. In relation to the latter point, it will be important to distinguish between the Network Operator of the REZ and Transgrid.

- **Access 'gateway' mechanism:** We note that the NSW Government proposes to modify the NER such that the consent of the Infrastructure Planner is required for:

A Network Service Provider to make an application to connect a transmission network or distribution network to the access rights network or to a distribution network or transmission network subject to an access control mechanism.

It is not clear to us what circumstances this proposed change envisages. In relation to the connection of the access rights network to Transgrid's existing network we assume that the existing connection arrangements under the NER will apply. It would be helpful for clarification on this matter.

- **Direction to disconnect.** The relevant policy position is reproduced below for ease of reference:

Modify rule 5.9 of the NER to empower the Infrastructure Planner to direct the Network Service Provider for an access rights network to disconnect the facilities of a Generator from the access rights network.

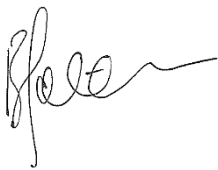
Transgrid notes that it is not clear why the Infrastructure Planner should be able to direct the disconnection of a generator from the access rights network, as opposed to the system operator. From the information presented in the Position Paper, it is unclear whether Transgrid will be the operator of the access rights network. Nevertheless, as system operator for the NSW transmission network, it is essential that Transgrid is able to direct the disconnection of a Generator from the access rights network if there is a need to do so to ensure the safety or security of the transmission network.

Transgrid would welcome further clarification on the role of operator of the access rights network and the mechanisms that will be put in place to ensure that the safety and security of Transgrid existing transmission network is not compromised by actions of connected parties to the access rights network. The NSW Government may want to consider lessons learned from other jurisdictions. For example, in the United States the role of a Reliability Coordinator was created to

enable a wide area system view of the network and create a single point of accountability. The Reliability Coordinator also has the ability to take action to prevent rolling system events which are more difficult to prevent where there are multiple operators as each operator only has view of one component of the network.

Transgrid looks forward to continuing to work with the NSW Government in the development of the NSW access arrangements. If you require any further information or clarification, please feel free to contact either me or Neil Howes at neil.howes@transgrid.com.au.

Yours faithfully



Brian Salter
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