

30 June 2023

Hon. Mick de Brenni MP
Minister for Energy, Renewables and Hydrogen
Queensland Government
By email: energybill@epw.qld.gov.au

Dear Minister de Brenni,

Response to Energy (Renewable transformation and jobs) Bill 2023 – Exposure draft consultation

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback on the Queensland (QLD) Government's *Energy (Renewable transformation and jobs) Bill 2023 – Exposure draft consultation* (the draft Bill) published on 7 June 2023.

CEIG represents domestic and global renewable energy developers and investors, with more than 16GW of renewable energy capacity in the NEM across more than 76 power stations and a combined portfolio value of more than \$38 billion. CEIG members' projects represent 40% of the NEM's renewable energy capacity and their project pipeline is estimated to be more than 46GW across Australia. CEIG strongly advocates for an efficient transition to a clean energy system from the perspective of the stakeholders who will provide the low-cost capital needed to achieve it.

KEY POINTS

- CEIG supports in-principle the QLD Energy and Jobs Plan, SuperGrid Infrastructure Blueprint and the Priority Transmission Investment framework.
- CEIG encourages the QLD Government to increase its ambition and meet its 80% renewable energy target by 2031 (rather than 2035) to **align to a 1.5°C NEM**.
 - Our research shows that meeting 1.5°C is achievable.
 - The draft Bill should ensure that ambition can be increased more regularly than the currently envisaged five-yearly reviews, and that it cannot be reduced.
- CEIG **supports in-principle the REZ framework** but remains concerned about:
 - the potential impacts on **plant connections to REZ Controlled Assets**;
 - the lack of **clarity around how connections and capacity (in REZs and more broadly) will be allocated and managed**, including how competitive neutrality principles will be observed by Powerlink and the GOCs under their large public asset holdings; and
 - the lack of clarity around the **cost recovery framework** for REZ transmission

network infrastructure (e.g. participants' share of costs).

- As it streamlines REZ processes, CEIG encourages the QLD Government to **pro-actively coordinate, streamline and facilitate environmental approvals in a way that maintains the 'social licence for nature'**.
- CEIG seeks clarification around the proposed changes to clause 162 'Amendment of s 12 (Works, substations and operating works)':
 - CEIG's **preference is for TNSPs and DNSPs not to be allowed to own storage assets, and to procure essential services from contestable markets** already established. This will avoid the potential distortion of those contestable markets and prevent vertical integration.
 - If the QLD Government still chooses to allow TNSPs and DNSPs to own storage assets, CEIG encourages the government to:
 - clarify the type of activities envisaged to be undertaken by TNSPs and DNSPs with their new ability to own and operate battery storage devices; and
 - clarify how it will put in place a robust ring-fencing framework for any new unregulated services provided through those battery storage devices.

PUBLIC OWNERSHIP OF RENEWABLES

- CEIG is concerned that the **majority public ownership provisions as currently proposed could present higher risk, adversely affect investor sentiment in the QLD market and have unintended consequences.**
- CEIG understands that **the 50%+ public ownership target for generation assets is envisaged to be applied at portfolio level, not to individual assets**, and that the QLD Government does not envisage any compulsory acquisitions of assets.
 - CEIG supports that approach but seeks confirmation from the government.
- Private capital can be 'inelastic' and some private asset owners may not be able to (or want to) sit alongside a public owner. Nevertheless, there is an **opportunity for the QLD Government to send strong signals through policy to attract and crowd in the 49% private equity** (e.g. regular schedule of auctions or PPA program).
- CEIG is concerned that the current public ownership provisions could incentivise more 'develop and flip' projects, **at the expense of good social licence practices.**
- CEIG supports in-principle the proposed **streamlining of connection processes.**
- CEIG notes the increasing powers allocated to Powerlink and urges the government to carefully consider the **potential conflicts of interests** (perceived or real) that those various functions could bring.

PROPOSED AMENDMENTS - PUBLIC OWNERSHIP OF RENEWABLES

- CEIG suggests **making greater use of regulatory powers (vs. legislation)** for greater flexibility.

- regulatory powers could extend to the definition of generation and transmission;
 - they could be used to set the percentage of public ownership targets as opposed to directly in legislation (e.g. 50%+ generation, 100% transmission);
 - they could define the public ownership targets as:
 - percentages of a capacity (MW) target; or
 - directly as a capacity (MW) target; or
 - directly as a generation (MWh) target (this would allow to count PPAs against the target);
 - Those measures could provide more budgetary certainty to government and more clarity to the market as well as mitigate the risk to the government of needing to procure a larger amount of assets (e.g. if Hydrogen Superpower scenario became a reality).
- **CEIG encourages the QLD Government to commit to a State-backed offtake program and to count those PPAs against its 50%+ generation target**, as part of a broad definition of public ownership.
 - This could help to mitigate any unintended consequences from the proposed high target for public ownership of generation assets.
 - CEIG recommends that the QLD Government sets out a **clear investment mandate for the GOCs** to provide clarity around their objectives and how they will implement the government's targets:
 - CEIG seeks a formal **commitment that projects will not be compulsorily acquired** by the government to meet its public ownership targets.
 - CEIG encourages the QLD Government to provide clarity and transparency around how the GOCs will be obligated to abide to **competitive neutrality principles** so that privately owned projects are treated equally.
 - CEIG strongly encourages the government to commit to **fair, voluntary, competitive and transparent procurement processes**:
 - The QLD Government should outline its long-term investment expectations, set out over 2 distinct programs (PPAs and direct equity) so the market can prepare its pipeline.
 - PPAs should constitute at least 50% of the total public investment.
 - To provide earlier clarity to the market on those items that will not be specified in legislation, the QLD Government should consider:
 - making public statements around its intentions (e.g. clarify its intention of no compulsory acquisitions); and/or
 - stating those intentions as part of the legislation's second reading speech.
 - CEIG calls on the QLD government to **consult with investors** on the preparation of the draft Strategy, investment mandate and regulations and looks forward to working with the QLD Government.

IN-PRINCIPLE SUPPORT FOR PROPOSED DRAFT BILL**CEIG supports QLD Energy and Jobs Plan (QEJP)**

CEIG continues to strongly welcome the leadership of the QLD Government in the development of its QEJP which is expected to bring \$62B of investment, including the QLD Government's investments in the SuperGrid & pumped hydro assets.

CEIG supports the QLD Government enshrining its renewable energy targets and reporting obligations in legislation as this will have a positive impact on investor confidence.

Regarding the proposed public ownership provisions, CEIG recognises that public ownership of clean energy assets is a legitimate public policy choice, and one which has been supported by the QLD community, and CEIG notes the intention to maintain the Government's current market share of public investment in the energy sector. CEIG further details its concerns around the current proposed provisions in the rest of this submission and intends to work with the Government to ensure that risks are addressed and that investor confidence in QLD is maintained.

CEIG believes a just transition for workers is an important aspect of the transition and supports giving confidence to affected energy workers that they will be supported through the energy transformation.

Finally, CEIG supports the Government's commitment to convert publicly-owned coal-fired power stations into clean energy hubs as it can drive innovation, it will be an efficient way to reuse available transmission infrastructure and it helps to lower costs for consumers. CEIG notes this is aligned to supporting affected energy workers and giving opportunities for clean energy jobs.

CEIG encourages the QLD Government to increase its ambition and align with 1.5°C

CEIG notes that despite being ambitious, the proposed QLD renewable energy targets are not sufficient to meet a 1.5°C aligned NEM.

Our research¹ shows that meeting 1.5°C is achievable, and importantly, that it is achievable in a commercially credible way. To do so, QLD would need to achieve its 80% renewables target by 2031 (rather than 2035). As a result, CEIG encourages the QLD Government to increase its ambition and align with 1.5°C.

The draft Bill should therefore ensure that its ambition can be increased more regularly than the currently envisaged five-yearly reviews, and that its ambition cannot be reduced. For example, the QLD Government may want a lever to quickly match any increase in ambition from the Commonwealth Government (e.g. should the Commonwealth choose to align to 1.5°C to support its COP26 bid).

¹ CEIG and Baringa, Apr-23, [Decarbonising Australia - Accelerating our energy transition with a credible 1.5°C scenario](#).

CEIG notes (and welcomes) that a more agile approach to ambition has now got precedent with AEMO recently committing to incorporate a broad set of policy objectives in the Integrated System Plan, beyond legislated policies (see AEMO's recent update on the 2023 Inputs Assumptions and Scenarios Report).

CEIG supports in-principle the QLD SuperGrid Infrastructure Blueprint and the Priority Transmission Investment framework

CEIG supports the proposal to

Establish a new Priority Transmission Investment framework to identify, assess and build the backbone transmission needed to connect our pumped hydros and renewable energy zones with areas of demand.

The proposed Ministerial powers to be enshrined in legislation will enable the effective central coordination of grid and Renewable Energy Zone (REZ) investments.

CEIG is pleased that the Minister will be able to consider when to reduce or cease the operation of thermal plants as our research finds that closing coal is a key determinant to achieving a 1.5°C aligned NEM:

The infrastructure blueprint must (...) describe proposed changes, of a substantial nature, in operations of coal-fired power stations the Minister is aware of, including the reducing or ceasing of operations; (...)

CEIG notes the proposed 100% public ownership target for transmission infrastructure assets. However, CEIG encourages the QLD Government to consider introducing more contestability into its transmission framework, at a minimum in the procurement of assets. The *Transmission contestability in Australia - Enabling the Clean Energy Transition Report*² released by Nexa Advisory demonstrated that consumers stand to benefit for up to \$13B from increased contestability.

CEIG supports in-principle the REZ framework

CEIG supports the establishment of a new QLD REZ framework to coordinate and efficiently connect the required generation to transform the electricity system.

CEIG is however concerned about:

- the potential impacts on plant connections to REZ Controlled Assets and seeks to clarify what transmission assets would be in scope (e.g. over what geography, existing vs. future assets, over what timeframe)
 - It is understood that the definition of those assets will rely on assessments of 'material impacts' to the REZ. It will be important for the government to outline early what is meant by 'material impact'. Whilst CEIG understands that the definition of each REZ controlled assets will be clarified through each REZ declaration process, it will be useful for the market to understand early what assets are expected to be in scope.

² Nexa Advisory, *Transmission contestability in Australia - Enabling the Clean Energy Transition*, Jun-23
<https://nexaadvisory.com.au/transmission-contestability-in-australia-enabling-the-clean-energy-transition/>

- the lack of clarity around how connections and capacity (in REZs and more broadly) will be allocated and managed, including how competitive neutrality principles will be observed by Powerlink and the Government Owned Corporations (GOCs) under their large public asset holdings; and
- the lack of clarity around the cost recovery framework for REZ transmission network infrastructure:
 - what share of costs can be expected to be apportioned to participants (vs. recovery of shortfall via prescribed charges) and based on what principles;
 - how the Government will make decisions around cost recovery allocations;
 - what generators can expect to get in return for their contribution;
 - any linkages to the REZ access regime framework.

CEIG supports in-principle the costs of investments in the transmission network being shared between generators, consumers and other REZ proponents (e.g. governments or commercial REZ proponents, as required), with each party only paying for the costs that are demonstrated to deliver net market benefits to them.

In particular, CEIG supports generators paying for part of the cost of network investments when this can provide special access rights to that network since in this case, generators benefit from an improved ability to send out their plants' generation in the grid.

However, should unreasonable costs be placed on REZ participants, this could distort wholesale market pricing and limit the attractiveness of REZs as REZ participants would need to increase their wholesale prices to recover those costs and could be incentivised to stay out of REZs to improve their competitiveness. In any case, the cost of REZ infrastructure would be passed through to consumers through higher wholesale prices so it is unclear why REZ participants are considered best placed to pay the majority of those costs (if that is what is proposed).

Streamlining of environmental approvals for generation projects and maintaining the 'social licence for nature'

The planning and environmental approval frameworks are important government interfaces for investors and as it streamlines REZ processes, CEIG encourages the QLD Government to pro-actively coordinate, streamline and facilitate environmental approvals for generation projects.

Government should pro-actively ensure that environmental issues are considered, managed and mitigated at a more strategic, whole-of-state level, which would ameliorate risks around environmental approvals. For example, the government could improve its environmental mapping process, particularly around REZs, to better understand and manage potential biodiversity issues.

This should however be done in a way that maintains the 'social licence for nature', that is that biodiversity issues should be managed and mitigated where possible.

Streamlining connection process

Considering the scale of connection and commissioning (C&C) activity that will occur in QLD, CEIG supports in-principle the proposed streamlining of connection processes wherever possible. This has the potential to unlock significant benefits around the timing of connections.

CEIG however notes that achieving benefits from a streamlined C&C process is contingent on that process being appropriately designed and implemented by the responsible entity, including giving due consideration to lessons learnt in recent years.

Ideally, a streamlined C&C process should be also supported by an improved modelling capability. This will require investments in improved internal capabilities to better deal with the increased complexities of a power system dominated by inverter-based technologies (e.g. capacity to conduct wide area PSCAD studies to better identify interactions across assets; ensuring Powerlink's internal processes allow the simultaneous processing of multiple connection requests).

Increased powers for Powerlink

CEIG notes the increasing powers allocated to the REZ delivery body including setting connection fees and standards, negotiating connection agreements and setting REZ transmission fees.

CEIG notes that appointing Powerlink as the REZ delivery body will further concentrate its powers and urges the government to carefully consider the potential conflicts of interests (perceived or real) that those various functions could bring.

For example, in its roles as designated planning bodies and in setting transmission fees, Powerlink could be incentivised to maximise the value of its regulatory asset base by setting high transmission fees. In its role in setting revenue access fees, it could be incentivised to set higher fees to maximise its revenues.

CEIG HAS CONCERNS AROUND THE DRAFT BILL'S PUBLIC OWNERSHIP PROVISIONS**Investors are concerned about the proposed targets for public ownership of generation assets**

Whilst CEIG supports the draft Bill's aim of accelerating the energy transition and enabling an orderly transition, the majority public ownership provisions as currently proposed could present higher risk in the QLD market, adversely affect investor sentiment and have unintended consequences.

The proposed provisions represent a major change to investors' long-term view of the QLD market. Existing investors do not envisage the acquisition of their projects as part of their current investment and development pipelines. Many of them have committed to QLD projects on the basis that they will own those assets, often with a controlling interest, for the long term. Similarly, the renewables pipelines they are developing are intended to

be built for, and owned by themselves.

CEIG understands that the 50%+ public ownership target for generation assets is envisaged to be applied at portfolio level, not to individual assets, and that the QLD Government does not envisage any compulsory acquisitions of assets. CEIG supports that approach but seeks confirmation from the government.

Potential for misalignment between private investors and a government-controlled shareholder

CEIG has concerns that there could be misalignment between private and public shareholders, and that they could have different expectations and objectives with regards to investment returns and long-term asset performance. This could make it harder for the government to secure co-owners in their projects.

Risk of crowding private investment out of QLD

Private capital can be 'inelastic' and some private asset owners may not be able to (or want to) sit alongside a public owner.

The structuring of existing and future contracts may not permit a 50%+ public ownership share. Some business structures and the structuring of contracts can mandate that the private owner must have 50%+ ownership, that it must have effective control of the assets, and that assets must be operated through its own control centre.

Nevertheless, there is an opportunity for the QLD Government to send strong signals through policy to attract the 49% private equity. For example, the ACT has demonstrated that a regular schedule of auctions and revenue support can attract both equity and debt partners. The NSW LTESA program is another great example. Similar programs could be useful ways to complement the proposed public ownership program to crowd in the remaining 49% private ownership.

Seeking clarity on QLD Government's intention around equity ownership clauses in Power Purchase Agreements (PPAs) entered into by QLD GOCs

CEIG notes that PPAs are a private negotiation between the GOCs and private sector market participants and that ultimately, the two parties will agree on what clauses are included in the contracts. However, CEIG believes that there would be value in the QLD Government making it clear upfront whether it intends for those 'GOCs PPAs' to include clauses with potential triggers for requests for equity over the asset's life.

This would help to mitigate the risk that private generators may prefer to sign PPAs with corporates (rather than GOCs) to avoid discussions (and expectations) around any public ownership of the asset. That risk can also be mitigated by the Government confirming that public ownership targets will apply to a portfolio, not strictly to each generation asset.

To avoid this risk (which could distort the PPA market in QLD), CEIG makes a further suggestion below for the GOCs to have 2 distinct processes to procure PPAs and direct

equity in a plant.

Risk to social licence

CEIG finds that QLD landholders respond well to RE developments from private asset owners and operators who have a long-term view, as opposed to proponents who seek to 'develop and flip' their projects.

CEIG is concerned that the current public ownership provisions could incentivise more 'develop and flip' projects, at the expense of good social licence practices.

PROPOSED AMENDMENTS – PUBLIC OWNERSHIP OF RENEWABLES**Proposal to make greater use of regulatory powers (vs. legislation)**

Under the draft Bill, the Minister determines what is deep storage, but not generation and transmission. CEIG suggests amending the proposed regulatory powers to also extend to the definition of generation and transmission. This would provide greater flexibility and allow the government to readily adapt to the rapid energy transaction underway.

For similar reasons, CEIG suggests that the Minister could set the percentage of public ownership targets (e.g. 50%+ generation, 100% transmission etc.) in regulations as opposed to directly in legislation.

Finally, CEIG suggests that the public ownership targets could be defined as:

- percentages of a capacity (MW) target; or
- directly as a capacity (MW) target; or
- directly as a generation (MWh) target.

Those measures could provide more budgetary certainty to government and more clarity to the market as well as mitigate the risk to the government of needing to procure a larger amount of assets (e.g. if the Hydrogen Superpower scenario became a reality).

Seeking commitment to Government-backed PPA program

CEIG encourages the QLD Government to commit to a State-backed offtake program, separate from any offers of acquisitions or individual project developments by the GOCs. This would demonstrate the government's commitment to support private investment and would provide clarity to the market.

CEIG also suggests counting any PPAs entered into by the QLD Govt (and related entities such as the GOCs) as part of the 50%+ public ownership target for generation, as a broad definition of public ownership. This could help to mitigate any unintended consequences from the proposed high target for public ownership of generation assets.

If counted equally alongside direct equity shares in plants, PPAs can be an effective tool to achieve public ownership targets. Having an offtake agreement provides effective control of the plant's output which can mitigate any reliability of supply concerns. PPAs can also provide for achievement of broader policy objectives as directed by government

(e.g. local content, employment, shared community benefits, local economic development).

Seeking commitment to transparent and fair processes

CEIG recommends that the QLD Government sets out a clear whole-of-state investment mandate to provide clarity around the GOCs' objectives and how they will implement the government's targets:

- The investment mandate would clarify the scope and objectives of the GOCs' proposed interests in assets, how they will invest and over what timeframe.
- This should also include any objectives and criteria for any offers of acquisitions and a formal commitment that generation projects will not be compulsorily acquired to meet the public ownership targets.

CEIG strongly encourages the QLD Government to commit to fair, voluntary, competitive and transparent procurement processes.

- Because of the scale and scope of the proposed public ownership Strategy (the Strategy), the QLD Government should enhance the level of visibility over its program and should set expectations that processes are conducted transparently, both in terms of PPAs and direct equity processes.
- This will deliver the best value-for-money for QLD energy consumers by ensuring that the best and most competitive projects are selected (as opposed to selecting projects based on more ad hoc and less transparent criteria such as location).

The QLD Government should outline its long-term investment expectations, set out over 2 distinct programs (PPAs and equity) so the market can prepare its pipeline (incl. procurement of long-lead items).

- The QLD Government should set a clear program with consistent terms from GOCs or other State entities (i.e. clear criteria, clear objectives, open tender processes, etc.)
- One process could address PPAs whilst another (which could be run concurrently) could address a direct equity participation program.
- Both programs could clearly outline upfront what policy objectives the QLD Government expects to be achieved (e.g. local content; employment conditions);
- CEIG suggests that PPAs should constitute at least 50% of total public investment against the generation target. This could be set out as part of the GOCs' investment mandate or the Strategy.
- The Government should also outline the scale of its expected direct equity program for greater market clarity.

CEIG also encourages the QLD Government to provide clarity around how the GOCs will abide to competitive neutrality principles so that privately owned projects are treated equally (e.g. around planning and regulatory approvals, grid connection processes and allocation of REZ access rights). CEIG notes that the GOCs are already bound to those competitive neutrality principles through the Competition & Consumer Act but greater clarity around how those principles will be applied and enforced would be useful.

CEIG supports the use of competitive processes, including auctions, to select successful participants. When well-designed and communicated effectively (preferably by outlining consistent rules, being based on clear schedules and being transparent about assessment criteria), competitive processes help to maximise competitive tension and lower costs. Auctions are an efficient price discovery process.

When designing competitive processes, the QLD Government should be clear around its eligibility and evaluation criteria. These elements are critical for industry to be confident that the allocation processes will be fair and transparent.

Eligibility criteria

CEIG supports the introduction of eligibility criteria as part of the design of competitive processes. The eligibility criteria should ensure participation from projects that can demonstrate that they are sufficiently advanced, and the allocation process should be designed to avoid speculative hoarding practices.

For example, the QLD Government could consider applying eligibility criteria that demonstrate that:

- sufficient levels of financing pre-commitments are prepared to be made available to a project (such as the provision of letters of intent for debt or equity finance); or
- a project is sufficiently advanced along the development approval pathway.

Evaluation criteria

CEIG supports a broad range of evaluation criteria being in place, beyond value-for-money, in recognition that the transformation of the energy system needs to achieve several broad economic, social and environmental objectives such as:

- promotion of social licence and effective engagement with local communities and Traditional Owners;
- promotion of benefit sharing programs with relevant local communities; and
- promotion of projects with strong technical and financial capabilities.

Early clarity for items to be listed in the Strategy, not legislation

The QLD Government may have some intentions that will be later defined in the Strategy or in regulations, but not in the legislation (e.g. commitment to no compulsory acquisitions, public ownership target to apply at portfolio not individual plant level).

Whilst CEIG understands the need to retain the legislation as a high-level document, it is concerned that the market will lack clarity until the Strategy and regulations are prepared. To provide earlier clarity to the market on those items that will not be specified in legislation, the QLD Government should consider:

- making public statements around its intentions (e.g. clarify intention of no compulsory acquisitions); and/or
- stating those intentions as part of the legislation's second reading speech.

Finally, CEIG calls on the QLD government to consult with investors on the preparation of

the draft Strategy, investment mandate and regulations and looks forward to working with the QLD Government.

PUBLIC OWNERSHIP – QUESTIONS OF CLARIFICATION

In the next section, CEIG outlines detailed questions of clarification around the proposed public ownership framework.

Clarification of definition of public ownership

It would be useful to clarify whether the following section in the draft Bill refers to PPAs. CEIG supports including PPAs as part of a of a broad definition of public ownership.

Part 3 s. 12(4 c):

public ownership, in relation to a class of energy assets, means—

(...)

(c) an interest prescribed by regulation held in relation to assets of the class under an agreement or arrangement prescribed by regulation, to which the State or a GOC is a party, relating to electricity generated using the assets.

Clarification of application of 50%+ public ownership

- Is the current 54% public ownership likely to be the future target? When will that 50%+ target be defined, and what is likely to be its quantum?
- What assets are in scope to be accounted in the generation category:
 - Electrolysers? storage (BESS and similar) assets? pumped hydro assets?
 - Are Distributed Energy Resources expected to be in scope? If so, it could limit opportunities for private utility-scale generation in QLD. This further points to the importance of CEIG’s recommendation for a more flexible definition of generation made through regulatory powers.
 - What is the cut-off date for calculating the target? Will existing renewables assets be accounted in the calculation?
- Can the government clarify the total capacity of generation assets to be procured, and over what timeframe, including what scenario is used as benchmark (and noting that the government would need to procure more assets under a Hydrogen Superpower scenario or equivalent)
- Can the government clarify whether the target is a capacity (e.g. MW) or generation (e.g. MWh electricity generated) target?
- What timeframe is the target to be achieved over: 1, 5, 10, 20-year timeframe?
- Would it be calculated as a 3, 5-year average? Other method?
- How often is the target calculated: annually? Every 2, 3 years? other?
- Has the government considered whether there are opportunities for staging and staggering government procurement activity?
- What ways are envisaged to procure assets: offers (non-compulsory) to acquire equity in existing or future projects? Government to build its own assets? Government to procure generation via PPAs?
- What role will the various entities (QLD State govt vs. GOCs vs. funds with a government interest) have in the procurement of generation assets?
- Will there be grandfathering and exceptions for existing assets and assets that

already have connection agreements (or will have by a certain date)?

- For assets with joint public and private ownership, particularly where public ownership is >50%, clarify who will operate the assets (wind, solar, BESS).
- Will the assets with minority public ownership be considered as 'publicly owned' with respect to the 50% target?

Clarification of definition of deep storage assets

What assets (other than the existing and 2 proposed publicly-owned pumped hydro plants) are in scope for the deep storage category?

Clarification of ability for private generators to access QLD firming capacity

A material amount of firming capacity in QLD will ultimately be held by the GOCs (e.g. pumped hydro plants) and it is not currently clear whether private generators will have access to that capacity.

Although CEIG understands that the trading strategies for the publicly-owned hydro plants will inevitably be defined over the long-term, CEIG supports obtaining early clarity around the Government's intent for if and how that firming capacity would be made available to all generators.

Clarification of treatment of privately funded and built transmission line

Are privately-funded and built transmission line at risk of being acquired to meet the 100% target for transmission and distribution assets? Would that target apply to both existing (if any) but also future privately-funded and built assets?

Please confirm that should a new generator want to build, operate and own the transmission line connecting their project to the NEM, this line could be privately owned by the new generator.

Treatment of system strength investments

Under the new rules, generators may opt to self-remediate or procure system strength services from their respective Transmission Network Service Provider (TNSP).

It would be useful for the QLD Government to clarify whether system strength infrastructure will be treated as transmission or generation infrastructure (and therefore what target those assets will be counted against).

This is particularly unclear for assets such as synchronous condensers which perform a network function for the TNSP and may become a critical part of the GOCs' future clean energy hubs.

PROPOSAL FOR TRANSMISSION AND DISTRIBUTION ENTITIES TO OWN AND OPERATE STORAGE ASSETS

CEIG seeks clarification around the proposed changes to clause 162 'Amendment of s 12 (Works, substations and operating works). The draft Bill appears to expand the definition

of operating works to add the ability for TNSPs and DNSPs to own and operate battery storage devices, beyond their core role of operating the network.

CEIG seeks clarity on the type of activities envisaged for those storage devices. The consultation paper (p.24) suggests that they would be used as 'grid supporting technologies'. However, since this is not specified in the draft Bill (nor proposed to be in regulations), the range of services they could provide is unclear and could be much broader.

This raises the risk that TNSPs and DNSPs do not sufficiently separate business activities that are regulated to those that are unregulated and subject to competition. For example, if those storage devices were used for activities that go beyond their core network roles (e.g. trade energy; provide FCAS services), the TNSPs and DNSPs could be cross-subsidising or using their monopoly power to gain an advantage in contestable markets. CEIG is also concerned that TNSPs and DNSPs could use their powers to obtain favourable treatment for those storage devices during the expensive and very time-consuming grid connection process.

The Australian Energy Regulator (AER) in its recent Electricity transmission Ring-fencing review³ agreed with those concerns and noted that:

it is important that TNSPs are not able to distort the development of the utility scale battery market or contestable markets in which the battery may be operated, particularly at a time when many of these new markets (including, for essential system services) are developing and where innovation from new service providers is occurring.

CEIG's preference is for TNSPs and DNSPs not to be allowed to own storage assets, and to procure essential services from contestable markets already established; this will avoid the potential distortion of those contestable markets and prevent vertical integration.

If the QLD Government was to allow TNSPs and DNSPs to own storage assets, CEIG would encourage the QLD Government to:

- clarify the type of activities envisaged to be undertaken by TNSPs and DNSPs with their battery storage devices; and
- clarify how it will put in place a robust ring-fencing framework for any new unregulated services provided through those battery storage devices.
 - CEIG's submission to the Australian Energy Regulator⁴ provides useful design suggestions.

³ AER (Nov-22), <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/ring-fencing-guideline-electricity-transmission-2023>

⁴ CEIG (Dec-22), https://ceig.org.au/wp-content/uploads/2023/01/CEIG-response-AER_Draft-Electricity-Transmission-Ring-Fencing-Guideline-lodged50.pdf



CEIG thanks the Queensland Government for the opportunity to provide feedback on its consultation paper and looks forward to continued engagement on those issues. Our Policy Director Ms. Marilyn Crestias can be contacted at marilyne.crestias@ceig.org.au if you would like to further discuss any elements of this submission.

Yours sincerely,

Simon Corbell
Chief Executive Officer and Chairperson
Clean Energy Investor Group Ltd
w: www.ceig.org.au