

28 September 2023

Mr Ashok Kaniyal
Project Leader
Australian Energy Market Commission
Lodged on AEMC website

Dear Mr Kaniyal,

Response to *Enhancing Investment Certainty in the R1 Process Consultation paper*

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback on the Australian Energy Market Commission (AEMC)'s Enhancing Investment Certainty in the R1 Process Consultation paper (the Consultation paper) published on 17 August 2023.

CEIG represents domestic and global renewable energy developers and investors, with more than 16GW of installed renewable energy capacity across more than 76 power stations and a combined portfolio value of around \$38 billion. CEIG members' 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

- The lengthy connections process, coupled with an increasing queue of generation seeking connection to accelerate the energy transition, highlights the need for a more streamlined and transparent mechanism.
- The challenges associated with the R1 stage, notably the uncertainty surrounding its duration, present a significant barrier for our members. These delays can create financial, resource and broader wholesale price issues for investors.
- CEIG acknowledges the importance of a comprehensive assessment at the R1 stage to ensure power system security and stability however, there must be a balance in the timeliness of the process.
- CEIG supports in principle the proposed framework for the R1 process.
- The allowance for conditional approvals, where minor issues can be resolved post-approval, will significantly reduce delays and financial risks for generators and investors.

CEIG commends the collaborative effort of the Clean Energy Council (CEC), Australian Energy Market Operator (AEMO) and network service providers (NSP) through the

connections reform initiative (CRI) that led to the in-depth analysis and proposal to reform the way generator registration applications are assessed. The lengthy connections process, coupled with an increasing queue of generation seeking connection to accelerate the energy transition, highlights the need for a more streamlined and transparent mechanism.

Material Issues for Investors Due to Delays in the R1 Process

The challenges associated with the R1 stage, notably the uncertainty surrounding its duration, present a significant barrier for our members. These delays create tangible, material issues for investors:

- Prolonged R1 processes can induce higher project development costs and delay revenue streams, potentially jeopardising project financial viability.
- Ambiguities around the R1 process often divert essential resources from other critical stages of project development.
- The cascading effects of these delays and uncertainties may be passed through the energy supply chain, inadvertently affecting wholesale electricity prices

The need for balance: Timing vs. robust analysis

CEIG acknowledges the importance of a comprehensive assessment at the R1 stage to ensure power system security and stability however, there must be a balance in the timeliness of the process.

Currently, the lack of clarity around how AEMO and NSPs evaluate discrepancies is exacerbating uncertainty and elongating the process. To address this, CEIG would like to see clearer guidelines on the types of discrepancies considered as material and how they're classified, whether due to external network changes or deviations in plant design. There should also be a rigorous yet efficient assessment process, providing generators and investors with greater clarity.

CEIG support in principle the proposed framework to improve technical performance negotiations

CEIG supports in principle the proposed framework for the R1 process. The typologies (Type 0 to Type 4) offer a more nuanced, tiered approach for assessing the materiality of issues arising at the R1 stage, thus providing different pathways to registration. This not only streamlines the assessment process but also makes it more transparent, reducing ambiguity in how each project is evaluated and what corrective steps may be required.

The allowance for conditional approvals, where minor issues can be resolved post-approval, will significantly reduce delays and financial risks for generators and investors. It is a pragmatic approach that ensures minor issues are addressed without holding up the entire process. This provision would be particularly beneficial when the discrepancies are of a nature that has minimal impact on overall system security.

Furthermore, we appreciate the proposal to introduce facilitated discussions and third-party mediation to resolve disagreements. This is an effective way to ensure that any disputes are resolved swiftly, saving both time and resources.

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

Yours sincerely,



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