



**Clean Energy
Investor Group**

Unpredictable swings in revenues predicted to hit solar farms in NSW and Victoria as old issues around MLFs come back to haunt the industry

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Solar farms in South-west NSW and North-west Victoria are predicted to suffer from large and unpredictable swings in revenues as a result of material changes in marginal loss factors (MLFs).

Today, the release of Australian Energy Market Operator (AEMO)'s preliminary MLFs for 2024-25 shows that MLFs could decrease by up to 10% compared to last year for some generators in those areas. Those changes in MLFs directly translate to the revenue that generators receive for their output.

Whilst some generators may have benefited from recent congestion relief works conducted by Transgrid in South-west NSW, the unpredictability of MLFs continues to make it difficult to reliably predict future revenues.

The issues of volatile MLFs and their flow-on impacts to revenue predictability are unfortunately not new. They demonstrate the continued need to revisit the methodology used to account for electrical losses in the grid, including considering the use of Average Loss Factors as an alternative methodology.

As renewable energy penetration increases in the grid over coming decades, the MLF methodology can be expected to continue to deliver volatile results that impact on the economics of renewables for investors.

CEIG will engage with its members to discuss the preliminary MLF results and looks forward to working with AEMO to resolve this important regulatory issue.

Marilyne Crestias, Policy Director of CEIG said:

“The preliminary MLFs will deliver a blow to solar farms who had finally been able to increase their output after Transgrid made some fixes to the transmission network in South-west NSW.

“Because of the way they are calculated, MLFs can change materially year on year. MLFs have a direct impact on the revenue received by generators, and this volatility and lack of predictability create risk for investors.

“This is not just an issue for generators and investors – lack of revenue predictability adds risk, which ultimately impacts the price and make-up of the electricity used by consumers.

“CEIG previously raised issues around the volatility of MLFs. As a long-time advocate for reform in this area, we look forward to working with AEMO and industry to find ways to resolve this important issue.

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About CEIG:

The Clean Energy Investor Group presents domestic and global investors with a combined Australian portfolio value of over A\$38 billion and more than 76 clean energy assets under management. It is an investor body, representing the unique perspective of clean energy investors to regulators, policy makers and the broader energy sector.