

24 January 2023

Mr. James Tyrrell  
Project Leader  
Australian Energy Market Commission  
Lodged electronically at: [AEMC online portal](#)

Dear Mr. Tyrrell,

***CEIG response to the AEMC's consultation on Improving the workability of the feedback loop***

The Clean Energy Investor Group (CEIG) warmly welcomes the opportunity to provide comments on the Australian Energy Market Commission (AEMC)'s draft Determination (the draft Determination) on *Improving the workability of the feedback loop* published on 7 December 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 clean energy with a focus on the stakeholders who can provide the long-term cost-effective capital required for this transition.

**Key Points**

- **CEIG supports the proposed draft Determination** as it aligns with the goals of efficient market operations, improved transparency, timely delivery of transmission infrastructure investment, sustainable energy investment, and a transition to a cleaner energy system. However, careful consideration of the implementation process and potential impacts on market participants, as with any rule change, is essential.
- **CEIG makes one additional suggestion to improve the feedback loop:** allowing AEMO to proactively determine the maximum allowable costs for projects. This method would facilitate the determination of whether a RIT-T's chosen option, based on its updated cost evaluation, is likely to stay on the ODP, thus reducing the need for extensive re-modelling.



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## General Comments

The draft Determination proposes to introduce several critical enhancements to the existing framework. Primarily, it allows for the assessment of the feedback loop in accordance with the most recent Optimal Development Path (ODP) featured in the Integrated System Plan (ISP), grounded in up-to-date inputs and assumptions.

The rule also mandates a revision of the Australian Energy Regulator's Cost Benefit Analysis guidelines to include directives on the timing of feedback loop requests and the publication of Project Assessment Conclusion Reports, thus mitigating the risk of misalignment between the Regulatory investment test for transmission (RIT-T) and the ISP.

Additionally, it provides Transmission Network Service Providers (TNSPs) with greater flexibility in managing concurrent feedback loop assessments and Contingent Project Application (CPA) processes.

Finally, it sets a timeframe for the Australian Energy Market Operator (AEMO) to complete feedback loop assessments, with provisions for extensions in complex cases, enhancing the efficiency and responsiveness of the process.

CEIG believes that the proposed changes will have positive impacts on the deployment of essential infrastructure, as they align with the need for a more efficient and transparent regulatory process. These changes will facilitate better investment decisions in transmission infrastructure, crucial for integrating the necessary new renewable energy generation capacity into the grid.

CEIG notes that the draft Determination is in line with CEIG's earlier recommendations made within our Transmission Planning and Investment Review Stage 2 response<sup>1</sup>, pertaining to the feedback loop mechanism.

## Suggestions for further improvements to the feedback loop

In June 2022, CEIG released *Transmission planning and investment for clean electricity*<sup>2</sup> (the Baringa Report) commissioned from Baringa Partners.

The Baringa Report suggests the following additional improvement to the feedback loop, which can further support the timely deployment of essential transmission infrastructure.

A viable and beneficial revision, as noted in the Baringa Report, would be the advanced evaluation of maximum project costs. This proactive strategy would mitigate delays in the RIT-T and CPA processes, which could affect the ISP's progression due to the need for further iterative modelling. In this context, AEMO would estimate the highest feasible cost for addressing each actionable need in the ISP before it becomes unviable for inclusion in the ODP. This estimated maximum cost would effectively function as a limit, akin to the model proposed for New South Wales under its specific network development strategy.

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<sup>1</sup> CEIG (Jul-22), [Response to AEMC's State 2 TPIR Report](#)

<sup>2</sup> CEIG (Jun-22), [Transmission planning and investment for clean electricity](#)

If the proposed cost of a preferred option, as calculated by a TNSP, was below the maximum cost cap value, AEMO would not need to undertake additional modelling to approve the project as aligned with the ODP.

CEIG supports an approach that would involve AEMO proactively determining the maximum allowable costs for projects. This method, which aligns with our joint research with Baringa, would facilitate the determination of whether a RIT-T's chosen option, based on its updated cost evaluation, is likely to stay on the ODP, thus bypassing the need for extensive re-modelling and reducing associated delays.

### **AEMC assessment**

CEIG agrees with the AEMC's assessment that the draft determination contributes to:

- emissions reduction by supporting the timely delivery of critical transmission infrastructure required for increased renewable penetration. This aligns with the objectives of transitioning the grid to net zero, and CEIG supports this aspect of the rule change;
- promoting market efficiency by improving transparency in the feedback loop process and encouraging timely and efficient investment decisions. This focus on efficient market operations and investment in clean energy is timely and essential, as CEIG supports these improvements; and
- aligning significant transmission investments with the long-term interests of consumers.

CEIG thanks the AEMC for the opportunity to provide feedback on the draft Determination and looks forward to continued engagement on those issues. Our Policy Director can be contacted at [marilyne.crestias@ceig.org.au](mailto:marilyne.crestias@ceig.org.au) if you would like to further discuss any elements of this submission.

Yours sincerely,



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