Clean Energy Investor Group

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12 October 2026

Australian Energy Regulator
Via email: aerinquiry@aer.gov.au

To the AER,

Response to AER preliminary position on Transgrid application

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide our views regarding the AER's September 2026 Consultation Paper on Transgrid's application to reopen its 2023-28 transmission revenue determination for Project EnergyConnect (PEC). We acknowledge that we are providing this submission after the formal close of consultation, but we hope our perspective will still be factored into the AER's decisions.

CEIG represents domestic and global renewable energy developers and investors, with approximately 18GW of renewable energy capacity in the NEM across 139 power stations and a combined portfolio value of more than $41 billion. CEIG members' project pipeline is estimated to be more than 150GW across Australia. CEIG strongly advocates for an efficient transition to a clean energy future on behalf of the investors who will provide the low-cost capital required for this transition.

PEC is a major new transmission project and is one of the most important in terms of Australia's energy transition. As the National Electricity Market (**NEM**) moves from its history of being dominated by centralised thermal generation around coal basins towards its future of being powered by hundreds of variable renewable energy generation projects spread across all NEM regions, new transmission projects like PEC are urgently needed to help make the transition a smooth one rather than a disruptive one. A project like PEC not only supports Australia's decarbonisation objectives but it also delivers long-term benefits to consumers through improved system security and access to lower wholesale prices.

We do not wish to provide an opinion on whether Transgrid's application has met all of the specific reopener requirements or attempt to give a legal interpretation of the reopener provisions themselves. Rather, we seek to provide a broader perspective on the need to ensure investment signals in critical transmission are not muted by potential risks beyond the control of proponents and investors.

We recognise the need to ensure appropriate regulatory oversight of costs that can be passed through to consumers and to maintain incentives to keep these costs as low as possible. However, uncontrollable events affecting costs on long lead time projects such as PEC (supply chain consequences from Covid, war in Ukraine, and record inflation) must also be considered.

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CEIG members are mostly involved in electricity generation and storage assets rather than in transmission networks, but they value a stable and predictable regulatory framework that operates in the interests of consumers, network service providers and all market participants. The reopener provisions for transmission investments are just a small part of this framework, but their operation affects the risk settings faced by investors more generally across the NEM.

In that context, the preliminary findings of the AER in assessing the first major application under the reopener provisions are being closely watched by investors. In our view these appear to indicate a change in how unforeseen and uncontrollable risks may be treated by the framework. An outcome that penalises a transmission network service provider for promptly addressing the consequences of a combination of unforeseen issues is not in the interest of consumers or any participant in the energy transition.

We are concerned that the AER's preliminary positions could ultimately result in:

- Higher costs to consumers through project delays by insisting that a transmission network service provider focuses on legal action to enforce its rights under a contract rather than focus on project delivery in a timely fashion – potentially delaying important transmission infrastructure.
- Higher costs to consumers by disregarding the price of maintaining reliability and security of electricity supply.
- Higher greenhouse gas emissions by relying upon old coal and gas generation assets over committed transmission assets.
- Dampening of investment signals to both renewable energy generation and transmission development, through decisions that extend the lives of ageing coal and gas generation assets.

The CEIG is concerned about the implications for all market participants in the AER's preliminary stance on Transgrid's reopener application and the potential dampening of investment signals and slowing down of the energy transition that could follow from this. This ultimately impacts the long-term interests of consumers and achievement of the National Electricity Objective.

Yours sincerely,

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