

30 May 2022

Mr Arek Gulbenkoglu  
General Manager  
Australian Energy Regulator  
GPO Box 3131  
CANBERRA ACT 2601  
Lodged by email to: [AERinquiry@aer.gov.au](mailto:AERinquiry@aer.gov.au)

Dear Mr Gulbenkoglu,

**Response to TransGrid - HumeLink Stage 1 (Early Works) Contingent Project Application**

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback to the Australian Energy Regulator (AER) on the TransGrid's *HumeLink - Stage 1 Contingent Project Application* published on 19 April 2022.

CEIG represents domestic and global renewable energy developers and investors, with more than 11GW of installed renewable energy capacity across more than 70 power stations and a combined portfolio value of around \$24 billion. CEIG members' project pipeline is estimated to be more than 18GW. 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 the AER approving early works where it is worthwhile for projects with longer delivery timeframes, such as HumeLink.
- The timely delivery of HumeLink will lead to lower prices and quicker decarbonisation, but also reducing the risk of blackouts and dangerous system instability.
- CEIG's position is that HumeLink is clearly and urgently necessary and should not be subject to delay or cessation through the staging process.
- CEIG supports TransGrid's continued approach to improving collaboration and planning around social licence as seen in the re-set of their stakeholder and community engagement processes.

Our submission is based on the [Clean Energy Investor Principles](#) (Investor Principles) that CEIG published in August 2021. Crucially, CEIG's Investor Principles present the investor case for why governments and the market bodies should adopt planning scenarios that reflect scientific consensus and international sentiment. The research commissioned for the Investor Principles found that improving certainty for investors will reduce the risk premium for new generation in the NEM that could deliver savings of up to \$7 billion out to 2042.

CEIG supports the AER approving early works where it is worthwhile for projects with longer delivery timeframes, such as HumeLink. However, CEIG is concerned that staging has residual risks where early works do not provide a guarantee for investors who may require the actionable project to be complete for their generation and storage projects to be viable.

HumeLink is a vital project for investors, and we commend the work of TransGrid on the work it has done on the HumeLink project. The timely delivery of HumeLink will lead to lower prices and quicker decarbonisation for consumers, but also reducing the risk of blackouts and dangerous system instability.

### **Importance of transmission investment, at pace and at scale**

Timeliness of investment in transmission is particularly important in the context of the dynamic, fast-paced transformation of the energy system underway. CEIG believes that the economic assessment of transmission projects should focus on facilitating the timely and efficient delivery of projects, whilst remaining an effective safeguard for consumers.

Investment in transmission infrastructure is a critical requirement for the success of the energy transition and needs to be delivered in time for new clean generation capacity to be operational ahead of coal plant closures.

CEIG is concerned about the delays to the delivery of transmission infrastructure investment – delays have already started to occur in some projects already underway, and CEIG is concerned about the ability of the TNSPs to deliver the scale of required investment.

Investment in transmission serves a higher public policy purpose – reducing carbon emissions and aligning the Australian market with global investor sentiment – and governments should continue to consider opportunities to expedite the development of transmission infrastructure through capital contributions if necessary.

Project lead times for renewable generators are now lower than 2 years whereas transmission project lead times are between 6-7 years. CEIG believes that State and Territory governments can have a role to play to mitigate some of this timing risk.

This could deliver substantial decarbonisation benefits, alongside other investment benefits traditionally valuable to governments such as promotion of regional and local economic development, job creation, strengthening of supply chains and ability to maintain reliability of supply.

**Support for staged 1 actionable development and the early completion of HumeLink**

CEIG agrees with TransGrid, the Australian Government, and the NSW Government on the importance of HumeLink to strengthen the network in Southern NSW and transport renewable energy to customers from new projects, including Snowy 2.0.

In line with [CEIG's submission to AEMO's Draft ISP 2022](#), we support in-principle the staged development of large transmission developments if commencing some works earlier can reduce cost and risk. CEIG supports AEMO's ISP decision to identify Stage 1 (early works) activities for HumeLink as a low regret action for consumers.

CEIG's position is that HumeLink is clearly and urgently necessary and should not be subject to delay or cessation through the staging process. Investment in transmission infrastructure is a critical requirement for the success of the energy transition and needs to be delivered in time for new clean generation capacity to be operational ahead of coal plant closures.

The development of new transmission infrastructure can be considered a public good that will facilitate the rapid decarbonisation of the Australian economy. If the delivery of transmission infrastructure is slow or delayed, projects will struggle to connect to the grid and the NEM could see repeats of the issues seen in the Western Murray Zone.

CEIG supports the early works proposed by TransGrid to protect consumers against the risk of schedule slippage and the associated insurance value against the risk of earlier than expected coal retirements in NSW. This supports CEIG Investor Principles (*Investor Principle 1: Align NEM development with global market*) by implementing AEMO's ISP Step Change transition scenario to mitigate risk and (*Investor Principle 5: Build investable and innovative markets*) through accelerating investment in transmission network capacity.

**Endorse emphasis on social licence**

CEIG endorses the emphasis on social licence in TransGrid's HumeLink stage 1 contingent project application. As TransGrid explains, early works on HumeLink protect consumers against the risk of schedule slippage and provides insurance value against the risk of coal exiting faster than expected in NSW.

In line with the CEIG Investor Principles (*Investor Principle 4: Allocate risk effectively*), which calls for collaboration for long-term social licence, CEIG appreciates TransGrid's understanding that early and effective engagement is critical to retaining the social licence required to minimise the risk of the project being delayed and the associated costs.

CEIG supports TransGrid's continued approach to improving collaboration and planning around social licence as seen in the re-set of their stakeholder and community engagement processes.

CEIG thanks the AER for the opportunity to provide feedback on the TransGrid – HumeLink stage 1 contingent project application and looks forward to continued engagement. Our Policy Director Ms. Marilyne Crestias 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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