

21 July 2022

General Manager, Strategic Policy & Energy Systems Innovation  
Australian Energy Regulator  
GPO Box 3131  
CANBERRA ACT 2601  
Lodged by email to: [AERringfencing@aer.gov.au](mailto:AERringfencing@aer.gov.au)

Dear General Manager,

**Response to *Ring-fencing Guideline Electricity Transmission - Issues Paper***

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback to the Australian Energy Regulator (AER) on the *Ring-fencing Guideline Electricity Transmission - Issues Paper* (Issues Paper) published on 31 May 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**

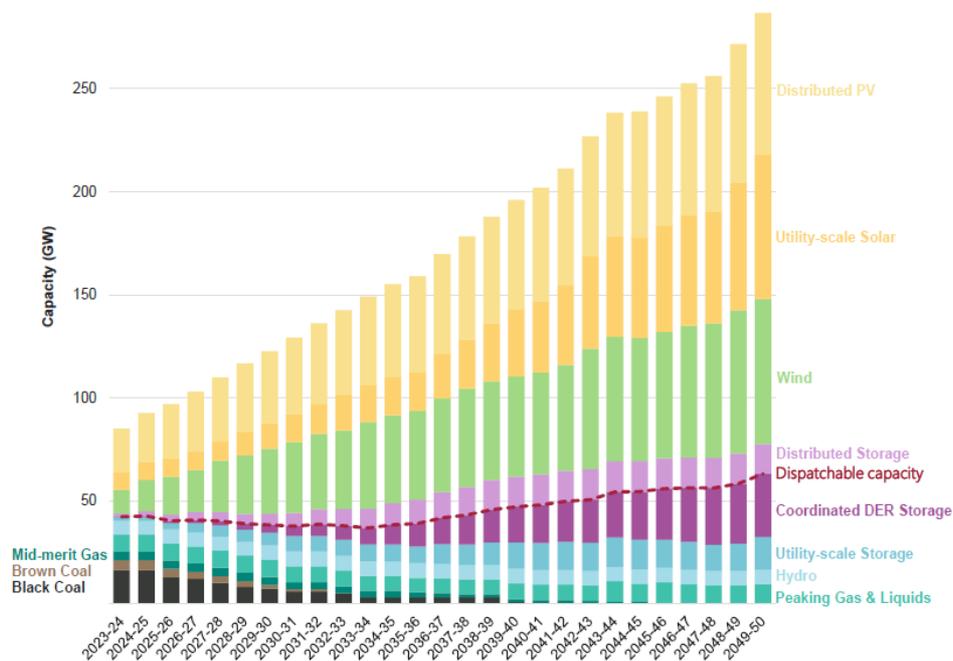
- CEIG supports the strengthening of the Ring-fencing Guideline to improve competition
- CEIG is concerned that existing battery asset owners may be impacted by the reduced costs of TNSP and that future investors may be impacted if the ring-fencing settings are not tailored to incentivise new entrants coming into the market.
- CEIG is concerned that Battery Energy Storage Systems (BESS) owned by TNSPs, or their affiliates, might obtain favourable treatment during the expensive and very time-consuming grid connection process.
  - The Ring-fencing Guideline must address these situations.

Our submission is based on the [Clean Energy Investor Principles](#) (Investor Principles) that CEIG published in August 2021. The research commissioned for the Investor Principles found that improving certainty for investors will reduce the risk premium for new generation in the NEM and could deliver savings for consumers of up to \$7 billion out to 2042.

### CEIG supports the strengthening of the Ring-fencing Guideline to improve competition

As noted in the Australian Energy Market Operator (AEMO)'s 2022 Integrated System Plan (ISP),<sup>1</sup> 46 GW / 640 GWh of dispatchable storage is required to achieve the Step Change scenario by 2050. Energy market reform is vital for investors to ensure the timely investment and deployment of these energy storage assets to support the reliability and security of the grid as the fleet of ageing coal fired generators exit the market.

Figure 1: Forecast NEM capacity to 2050, Step Change scenario<sup>2</sup>



CEIG supports the AER's considerations that the current Ring-fencing Guideline requires strengthening to reflect the changed context in which Transmission Network Service Providers (TNSPs) operate and that it needs updating so it is fit-for-purpose for the way in which TNSPs are currently operating and expected to operate in the future.

Furthermore, CEIG supports the AER's consideration that the current Ring-fencing Guideline needs to ensure that the interests of consumers and competition are not negatively impacted. These considerations by the AER supports the CEIG Investor Principles (Investor Principle 5: *Build investable and innovative markets*).

<sup>1</sup> [AEMOs 2022 Integrated System Plan](#)

<sup>2</sup> [AEMOs 2022 Integrated System Plan](#)

### **Ensure new entrants are incentivised**

CEIG acknowledges that TNSPs may at times provide the most cost-effective procurement of system strength services. As such, CEIG supports the AER's position "to encourage TNSPs to take advantage of underutilised assets for consumer benefit where they comply with the ring-fencing guideline and shared asset rules and guideline."

However, CEIG is concerned that existing battery asset owners may be impacted by the reduced costs of TNSP and that future investors may be impacted if the ring-fencing settings are not tailored to incentivise new entrants coming into the market.

For example, existing battery asset owners may be impacted by a decrease in the need for system strength services due to contracts between TNSPs and affiliates, reducing overall investment certainty. This reduced risk to investors may result in new entrants to the market being deterred negatively impacting the competitiveness of the market.

Therefore, CEIG supports the concerns of the AER in the ability of TNSPs to cross-subsidise contestable services via a battery, stifle development of the nascent market for batteries, and favour an affiliate in providing contestable services via a TNSP-owned battery.

### **Grid connection process**

The Ring-fencing Guideline must ensure that Battery Energy Storage Systems (BESS) owned by TNSPs, or their affiliates, are not able to obtain favourable treatment during the expensive and very time-consuming grid connection process (for example receiving any favourable/ different treatment).

The Guideline should address those risks to competition and ensure that independently-owned and TNSP-owned BESS are treated equitably.

CEIG thanks the AER for the opportunity to provide feedback on the Issues Paper 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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