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Rupert Doney  
Australian Energy Market Commission  
PO Box A2449  
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Dear Rupert,

### **Transmission planning & investment review stage 2 draft report**

AGL Energy (AGL) welcomes the opportunity to comment on the Australian Energy Market Commission Transmission Planning & Investment Review Stage 2 draft report.

#### **About AGL**

AGL is a leading integrated essential service provider, with a proud 184-year history of innovation and a passionate belief in progress – human and technological. We deliver 4.2 million gas, electricity, and telecommunications services to our residential, small and large business, and wholesale customers across Australia. We operate Australia's largest electricity generation portfolio, with an operated generation capacity of 11,208 MW, which accounts for approximately 20% of the total generation capacity within Australia's National Electricity Market.

#### **Non-network options**

AGL is disappointed that the AEMC has decided not to progress the treatment of non-network options as part of the RIT-T and ISP processes as a standalone priority issue as part of this review, especially given the various concerns expressed by stakeholders in the previous stage of this review. While the AEMC has pointed to stakeholder views from its 2019 *Economic regulatory framework review* that there is no clear bias for CAPEX over OPEX as the basis for the conclusion that these issues provide limited opportunity to materially improve consumer outcomes, we do not consider this persuasive. First, a CAPEX over OPEX bias is only one aspect of the potential bias against non-network options. Second, as the system transitions and new markets emerge for system services, new opportunities for non-network opportunities will emerge and grow in prominence (e.g., services provided by synchronous condensers and storage). Nevertheless, we appreciate the AEMC's commitment to consider any potential implications for non-network options in the priority issues that will be examined in the review.

#### **Financeability**

AGL agrees with the AEMC that there is currently no clear evidence of financeability concerns with specific ISP projects or businesses. In contrast to the AEMC, we also do not consider it likely that financeability challenges are likely to arise in future, and we therefore do not support the AEMC's proposal to give the AER flexibility to address this issue.

While we agree that the scale of the projects is unprecedented, and there may be concurrent projects, we see no reason why financing for these projects is not adequately supported under existing mechanisms, given the ability to earn a low risk regulated return. We also see no reason why the cash flow for a TNSP needs to be better aligned with their financing requirements, as misalignment of this nature is characteristic of large infrastructure projects and business generally.

We consider that any mechanism to consider improving the financeability of ISP projects should be reviewed in conjunction with the AEMC's review into the contestability of ISP projects. If contestability were enacted, whether an actionable ISP project proceeds would not be subject to the decision of one TNSP, and therefore



any concerns regarding the timing or concurrent nature of projects would cease to exist, since businesses without those limitations would be able to bid for the project.

### **Social Licence**

AGL agrees with the AEMC's assessment that building social licence is a significant issue and that obtaining community acceptance of major transmission projects is critical for their timely and efficient delivery. We also agree that existing cost recovery mechanisms and regulatory obligations are broadly appropriate.

### **Cost Recovery of Planning Activities**

AGL agrees with the AEMC proposal to amend the definition of 'preparatory activities' in the NER to clarify that their purpose is to inform the selection of a preferred option. We also support the initiative to ensure that AER and AEMO documentation use consistent language rather than the current ambiguous term 'early works'. We also agree that the existing cost pass-through and project (or contingent project application) staging arrangements remain suitable and effective mechanisms to manage material uncertainty over cost recovery for planning activities.

If you have any queries about this submission, please contact Anton King on (03) 8633 6102 or [aking6@agl.com.au](mailto:aking6@agl.com.au).

Yours sincerely,

Chris Streets

Senior Manager Wholesale Markets Regulation