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NSW Department of Planning, Industry and Environment  
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Sydney NSW 2000

Submitted by email to [REZ@planning.nsw.gov.au](mailto:REZ@planning.nsw.gov.au)

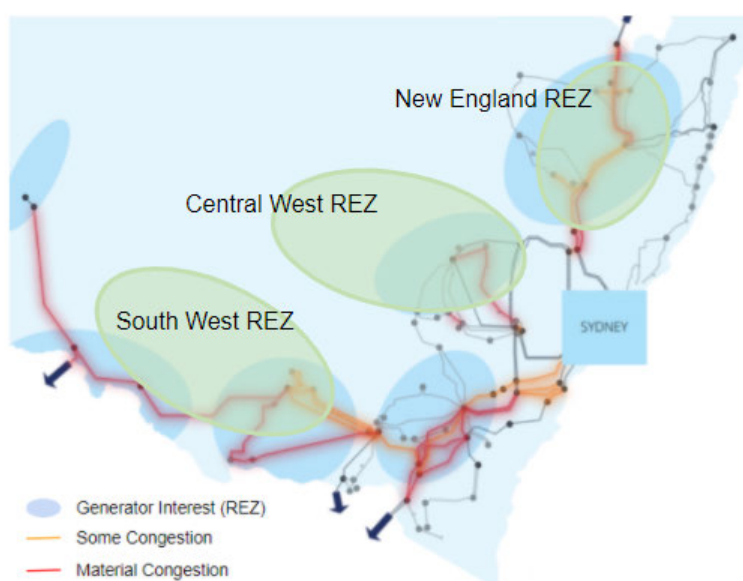
**Renewable Energy Zones – Access Scheme Issues Paper on Central–West Orana  
Renewable Energy Zone Access Scheme**

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Issues Paper from the NSW Department of Planning, Industry and Environment Renewable Energy Zones – Access Scheme Issues Paper on Central–West Orana Renewable Energy Zone Access Scheme.

The Issues Paper implicitly assumes that the optimal method of connecting new renewable capacity is through access reform, but does not adequately consider the drawbacks of this approach. The NSW Government should rather focus on the greater coordination between transmission system augmentation and generation investment required. Renewable energy developers cannot commit to projects when there is increased uncertainty around transmission augmentation. It is for this reason Snowy Hydro agrees with the first main challenge in the Issues Paper which is that *“investors cannot commit to build new energy generation and storage projects if the electricity grid does not have enough capacity left to transport the power they propose to produce”*. Delays to transmission, together with the declining reliability of coal, represent a real risk to energy security. Some 63% of the current coal and gas fleet in the NEM is expected to retire by 2040, and much of replacement capacity will be geographically remote from existing transmission infrastructure. It is therefore critical that new transmission capacity is built as a matter of urgency.

Until transmission is built the cheapest renewable energy will be unavailable to consumers. Figure 1 below highlights the problem NSW is facing with congestion; there is already no spare transmission capacity available for renewables. There are currently more than 6,000MW of applications for new renewable generation, but this capacity is unable to be developed until transmission infrastructure is upgraded..

Figure 1: NEM Congestion in Regional Areas (REZs)<sup>1</sup>



<sup>1</sup> Snowy analysis

The proposed REZ approach by the Issues Paper is seeking to address some of the connection challenges faced by developers, however it does not provide any certainty in respect of transmission network capacity and potential constraints, both where the REZ connects and to the main transmission network. It also creates new uncertainty for developers outside REZs, who face the prospect of competition from other renewable generators with preferential access arrangements (ie. within REZs).

The NSW Government notes that it is consulting closely with the Energy Security Board (ESB) on its REZ Stage 2 Consultation Paper, and Post 2025 Workstream and is seeking a degree of alignment with Options 1 and 2 in the ESB REZ stage 2 consultation paper. Under the REZ and Post 2025 Market Design access reform consultation, the ESB has acknowledged that generators "expressed concerns" with the reform however they have continued to understate the strength of opposition. The NSW Government should be across these concerns before proceeding with certain options given that the ESB's transitional proposal appears aimed at implementing the same reform, albeit on a longer timescale, which was rejected by stakeholders in the most recent consultation


The Issues Paper notes that *"LMPs and FTRs could be introduced into the REZ alongside this access regime with minimal disruption, as the access scheme does not impact NEM settlements or dispatch"* and that the options do *"not require any changes to NEM settlement or dispatch processes operated by AEMO"*. The ESB's use of REZs however is being used as "stepping-stone" and transition pathway" to system-wide transmission access reform albeit on a longer timescale, which was rejected by stakeholders in the most recent consultation.

The ESB does not appear to have understood the commercial drivers within the electricity sector, particularly those relating to the development of wind and solar capacity. It seeks to solve a lack of adequate transmission access through a highly complicated system of financial transmission rights and local marginal prices that will increase the cost of capital for renewable developers. The NSW Government should be aware that the ESB intends to use REZ access reform as a stepping stone to system-wide access reform, which has already been widely rejected by industry. In particular, modelling conducted for the Australian Energy Market Commission (NERA report) claimed, as one of the singular benefits of access reform, that 20GW less renewable energy would be built than without such reform. This is contrary to the objective of the Roadmap, which is to increase the penetration of renewable energy.

The fundamental problem in the NEM is a lack of transmission capacity, and this will be more effectively resolved with an actionable ISP. Transmission congestion and a lack of network investment are central to the current difficulties being experienced in the NEM. Congestion has caused a slowdown in investment in new renewable and firming capacity, increasing prices and grid instability. The creation of REZs is itself an acknowledgment that use of locational pricing and 'generator-funded transmission' is sub-optimal. REZs inherently involve central co-ordination of transmission, which, like the ISP, recognises the efficiencies in a planned augmentation of the network in order to exploit the best resources

NSW should prioritise increasing transmission capacity in the reform process and this is best achieved by an actionable ISP with committed timelines and funding. This would be a far better outcome for consumers as it would facilitate additional supply, placing downward pressure on prices. If the NSW Government nevertheless intends to proceed with access reform, it needs to undertake a cost-benefit analysis which establishes that the reform would improve consumers welfare. To avoid doing so would be to ignore the compelling evidence already commissioned by industry (in the earlier AEMC consultation) which demonstrates the many drawbacks of this approach.

Snowy Hydro appreciates the opportunity to respond to the NSW Department of Planning, Industry and Environment on the Issues Paper on the Renewable Energy Zones – Access Scheme Issues Paper on Central-West Orana Renewable Energy Zone Access Scheme and any questions about this submission should be addressed to [REDACTED]



Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Priftakis', with a horizontal line drawn across the middle of the signature.

Panos Priftakis  
Head of Wholesale Regulation  
Snowy Hydro

