

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Our members are highly exposed to movements in both gas and electricity prices and have been under increasing financial stress due to escalating energy costs. These increased costs are either absorbed by the business, making it more difficult to maintain existing levels of employment or passed through to consumers in the form of increases in the prices paid for many everyday items.

As we have stated in previous submissions, we would prefer a nationally consistent approach to climate and energy policy and are concerned that significant and diverse market intervention by governments is unlikely to lead to a least cost outcome for consumers. We note that the ESB have expressed similar concerns and have attempted to provide some nationally consistent frameworks for government to follow in their recent Post 2025 Market Design Final Report to Ministers.¹ We encourage governments to heed the ESB advice and guidance as they design their own jurisdictional schemes so as to maximise both national consistency and ensure that, to the greatest extent possible, costs associated with jurisdictional schemes are subject to market forces (i.e. they are "in-market") as opposed to a regulated cost or simply smeared across the customer base as a cost pass through (i.e. they are "out-of-market").

Having said that we respect the right of state governments to make policy in this area. Therefore, the EUAA welcomes the opportunity to make a submission on the Long-Term Energy Service Agreement Design Consultation Paper (Consultation Paper). We appreciate the effort that DPIE is making to engage with consumers via the Consumer Reference Group. We trust the comments, concerns and suggestions we have raised during the consultation on LTESA design are taken into account along with this submission.

This submission will focus on the long term interests of consumers, what consumers expect from governance and transparency of the scheme and concerns we have about striking the right balance of cost and risk allocation between energy consumers and project proponents and their debt providers. We will also make comments, where appropriate, on LTESA design elements.

LONG TERM INTERESTS OF CONSUMERS

When it comes to the cost of the energy transition many solutions are proposed under the auspices of the "long term interests of consumers". In some cases this is true but in others it isn't, with the "long term interests of consumers" being used to shield the true intentions of the solution being proposed, which in many cases is to transfer risk and cost from market participants to consumers.

The same can be said for the use of "efficient investment" where efficiency is in the eye of the beholder. For example, project debt providers may see it as "efficient" to remove as much risk and cost as they can. The same could be said for project equity participants claiming that with reduced risk comes cheaper cost of capital. Consumers are meant assume these benefits will be passed through to them in cheaper wholesale electricity costs. This, it is claimed, is both efficient and in the long term interests of consumers.

But is it? If consumers are being asked to take on market risk they have no way of managing or if they are being asked to take on costs that should rightfully reside with energy market participants, and by default debt and equity participants, then how

¹ Final ESB advice to Ministers <https://esb-post2025-market-design.aemc.gov.au/final-advice-july-2021> publicly released on 26 August 2021

could it be argued that it is in consumers interests? We are also meant to accept that all the benefits of lower cost of capital flows through to consumers, presumably as part of an opaque tender process, when clearly this will not be the case as participant shareholders are likely to scoop up any additional financial benefits should the opportunity arise.

Just because project proponents and debt providers are effectively shielded from these costs and risks doesn't mean they disappear. They don't disappear, they are merely moved from one group of participants to another, usually to consumers. Just as concerning is that more often than not we see these costs and risks socialised via the regulated network component of the bill or smeared across a customer base by a government or market body. In the case of the latter, in many cases without genuine scrutiny or transparency of the costs and benefits.

We see aspects of this in the Energy Infrastructure Roadmap and approach to LTSEA design. The Consultation Paper (Overview pages 7 & 8) sets out the following objectives of an LTSEA.

- *incentivise investment in New South Wales by providing a protection mechanism against low wholesale electricity prices*
- *protect the financial interests of NSW electricity consumers by supporting sufficient (but not excessive) generation, long duration storage and firming projects*
- *encourage projects' participation in the National Electricity Market and wholesale contracts markets such as Power Purchase Agreements and markets that emerge as a result of the Energy Security Board's post-2025 review process*
- *achieve an efficient risk allocation between projects and NSW electricity consumers. The outcome of an efficient risk allocation is expected to be investors providing low-cost capital to fund projects*
- *be highly coordinated with the rollout of REZs and access rights for them. It is anticipated that projects will generally obtain both REZ access rights and LTESAs if they wish to build in a REZ. The intention is that these will be allocated through a single tender process, the aim being to reduce and simplify processes and ensure an integrated experience for investors. LTESAs will be available to projects outside the REZ but must show outstanding merit.*

We believe these objectives will be difficult to balance. For example:

- *incentivise investment in New South Wales by providing a protection mechanism against low wholesale electricity prices*
- *achieve an efficient risk allocation between projects and NSW electricity consumers. The outcome of an efficient risk allocation is expected to be investors providing low-cost capital to fund projects*

Our reading of these objectives is that NSW electricity consumers will shield project proponents and investors from market risk that as generators they should be expected to take (i.e. shielding them from low electricity prices), on the assumption that all the benefits from "low-cost capital to fund projects" flows through to consumers. Reading the LTSEA design in this Consultation Paper, it is difficult to gain an appreciation of any assurance consumers have that these benefits flow to them. Perhaps we will be less concerned when the governance framework and LTSEA merit criteria are developed.

We would also note some objectives seem to be in conflict with one another. For example, on one hand there is the objective articulated in the Energy Infrastructure Roadmap to deliver consumers lower electricity prices (i.e. "more affordable, reliable, secure and sustainable electricity supply") but on the other there is an objective to shield participants from low wholesale electricity prices. One potential outcome of this scenario is that while on one part of the bill consumers could "benefit" from lower wholesale prices, on another part of the bill they will be required to make up the difference as they pay for the protection granted to project proponents and their investors.

The energy transition is a time of great change and there is no doubt that the composition of the energy bills is changing dramatically as a result. Traditionally, wholesale costs were of equal prominence to network costs with the balance made up of a collection of environmental program costs and retail overheads.

With the energy transition in full swing this is changing such that wholesale costs, so much relied upon by industry participants and policy makers to justify intervention, is becoming less important. The emerging trend sees network, system strength, environmental program and a variety of market body and government pass through costs now dominating the energy bill.

For consumers this means that more costs are likely to move from in-market to out-of-market, resulting in a less competitive energy market and a reduced ability to negotiate competitive energy deals. You can't negotiate the network fee you pay, nor can you negotiate lower pass through costs from market bodies or governments. If this trend continues, costs associated with system strength and reliability will also be non-negotiable.

An efficient market for consumers that is in their long-term interest is one where more costs are subject to competitive market forces where consumers have an opportunity to negotiate better outcomes for themselves. Future energy policy must seek to ensure more costs are "in market", where a causer pays principle applies and where risk is allocated to those in the best place to manage it.

GOVERNANCE AND TRANSPARENCY

Ensuring best practice governance and transparency of the proposed scheme is crucial for consumers to be confident that the Energy Infrastructure Roadmap will indeed meet its aim of providing:

"...NSW consumers with a more affordable, reliable, secure and sustainable electricity supply"

For consumers to understand the level of governance and transparency that could be expected we look to the stated objectives of the scheme, the level of discretion bodies such as the Consumer Trustee and Scheme Financial Vehicle along with the Energy Minister have under the scheme and the reporting requirements of each of these entities.

CONSUMER TRUSTEE

On page 8 of the Consultation Paper we find the following roles/guiding principles of the Consumer Trustee:

In connection with the LTESA, the Consumer Trustee will:

- determine the terms and conditions of the LTESA (informed by responses to this paper amongst other things)
- develop a risk management framework to protect the financial interests of NSW customers
- administer competitive tenders to recommend projects for LTESAs
- appoint the Financial Trustee.

The Consumer Trustee will achieve least costs for NSW electricity consumers by:

- maximising LTESA tender competition while making recommendations consistent with the EII Act
- ensuring LTESAs efficiently reduce financial risk to consumers while remaining attractive to investors
- encouraging the private sector to continue to participate in wholesale contracts markets.

Much of the detail that will bring this framework to life is yet to be developed which makes it difficult to judge the validity of LTESA design because so much of the outcome relies on a robust decision making framework that will guide the Consumer Trustee.

While the diagram that appears on Page 16 of the Consultation Paper is useful to provide a high level understanding of process, much of the important detail is yet to be made public. Once again, it is difficult to assess the validity of this process in the absence of detailed description on the process elements.

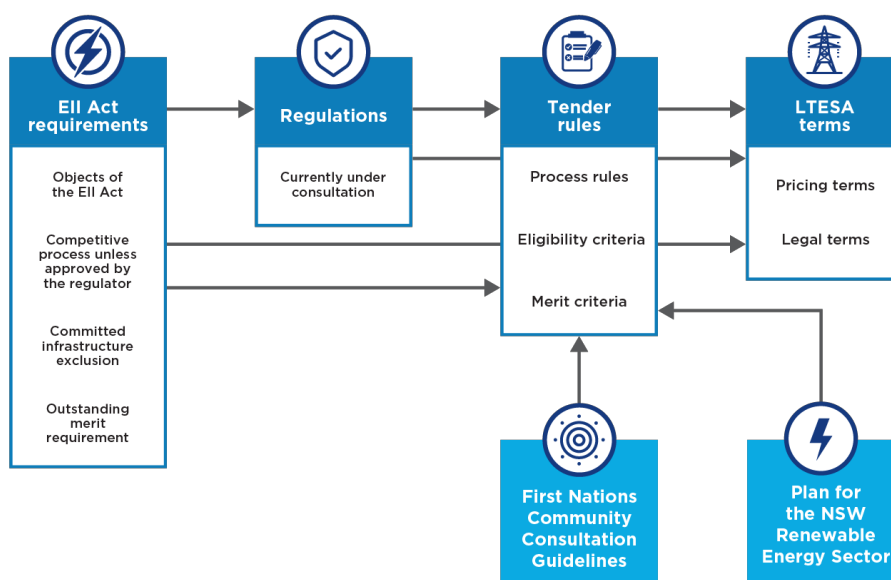
For example. We assume the Consumer Trustee will have an obligation to meet the 12GW generation and 2GW storage targets set out in the Energy Infrastructure Roadmap as expressed in the first box (objectives of the act) in the infographic below. Does this imply that these targets must be achieved regardless of cost or risk to consumers? Will the Consumer Trustee be given the latitude to make appropriate trade-offs and if so how will they go about it?

As we have discussed previously, we are interested to understand where the decision making boundaries will be set. For example, will the Consumer Trustee be guided by a maximum strike price that it can enter into for a generation LTESA or a maximum cumulative revenue threshold for a long duration storage LTESA? Will the Consumer Trustee be able to say no to a bad deal if saying no means interim targets under the act are not met? Will the Consumer Trustee be required to report annually on the contracts it has entered into and allow independent assessment and cost benefit analysis? These are some of the important questions that remain unanswered, the absence of which makes it difficult to make an informed judgement on the validity or robustness of LTESA design elements beyond the mechanical.

Guiding principles for LTESAs during tenders

The final LTESA structure will conform to legislation, tender rules, and price and legal terms; negotiated and agreed between the Consumer Trustee and individual projects. The development and construction components of LTESAs will also incorporate requirements relating to consultation and negotiation with local First Nations communities, and the Plan for the NSW Renewable Energy Sector, including how to promote local and First Nations employment and local content. The Consumer Trustee will decide how LTESAs are structured to ensure these requirements are managed effectively.

Figure 6 Relationship between the legislation, regulations, tender rules and LTESA structure



We are also concerned that other non-energy related objectives are included as part of the assessment process such as local content and regional economic development. While these may be worthwhile social and economic benefits we do not think they belong in an energy user cost benefit analysis. The end result of this will be that energy users end up subsidising a range of state government objectives that are unrelated to the operation of an energy system that is meant to deliver:

“...NSW consumers with a more affordable, reliable, secure and sustainable electricity supply”

We look forward to further consultation on the governance framework detailed design as we believe this is where consumers can either gain or lose confidence that the outcome of the Energy Infrastructure Roadmap is indeed in their long term interests.

FINANCIAL TRUSTEE AND SCHEME FINANCIAL VEHICLE

On the surface, the role of the Financial Trustee is largely administrative in that it manages the Scheme Financial Vehicle and is not subject to the control or direction of the Minister or NSW Government. However, it does have significant powers bestowed upon it by the EII Act that will have a profound impact on energy bills. Given this we strongly suggest the establishment of a robust audit and reporting framework be established with a requirement for annual public disclosure.

We find the following explanation of the Financial Trustee powers (our highlighting) on Page 9 of the Consultation Paper,

In accordance with the EII Act, the Scheme Financial Vehicle will establish and maintain the Electricity Infrastructure Fund to manage the cash inflows and outflows. It will have a statutory right to receive contributions from distribution network service providers. While the Scheme Financial Vehicle will not have recourse to the State's funds or balance sheet, it is expected to have a sovereign, or near sovereign, credit rating due to its ability to collect contributions from the distribution network service providers (distribution network service providers can pass these contributions on to NSW electricity consumers).

And on Page 13.

The contributions are overseen by the independent regulator with the express legislative requirement to ensure the ongoing funding of the Scheme Financial Vehicle's liabilities and the legislated power to set contributions with no involvement of or approval by government.

So, while the government may be at arms-length to the day-to-day operations of the Financial Trustee (an approach with which we agree) it has been granted significant power to collect revenue from energy users, including in circumstances where the Scheme Financial Vehicle can't meet its liabilities (we assume these are liabilities to make good on LTESA commitments). This means that in addition to passing costs through to consumers associated with LTESA's, REZ construction and other infrastructure, it has the ability to levy additional charges on consumers to ensure scheme liquidity, meaning energy users are essentially providing a line of credit to the Scheme Financial Vehicle and by default project proponents and the financial institutions that support them.

Clearly the operations of the Financial Trustee must be subject to not only full disclosure requirements but an annual independent audit, the results of which must be made publicly available. In addition to this, scheme costs being passed through to consumers must be clearly itemised on the customer bill and can't simply be allowed (or required) to be obscured in any way.

These things are what we consider to be minimum requirements for good governance.

GENERATION LTESA DESIGN

As we outlined earlier in this submission, an efficient market for consumers and one that is in their long-term interest, is one where more costs are subject to competitive market forces where consumers have an opportunity to negotiate better outcomes for themselves. Future energy policy must seek to ensure more costs are in market, where a causer pays principle applies and where risk is allocated to those in the best place to manage it.

The potential effect of Generation LTESA is take much of the costs and risks "out of market". While there will be a competitive tender process and the design does encourage market participation, the energy user is the ultimate underwriter of the scheme with costs being allocated (or smeared) across the customer base via the DNSP bill.

This is borne out through the LTESA design objectives, especially where it provides a “protection mechanism against low wholesale electricity prices” which is a standard risk supply side participants have traditionally faced.

- incentivise investment in New South Wales by providing a protection mechanism against low wholesale electricity prices
- protect the financial interests of NSW electricity consumers by supporting sufficient (but not excessive) generation, long duration storage and firming projects
- encourage projects’ participation in the National Electricity Market and wholesale contracts markets such as Power Purchase Agreements and markets that emerge as a result of the Energy Security Board’s post-2025 review process
- achieve an efficient risk allocation between projects and NSW electricity consumers. The outcome of an efficient risk allocation is expected to be investors providing low-cost capital to fund projects
- be highly coordinated with the rollout of REZs and access rights for them. It is anticipated that projects will generally obtain both REZ access rights and LTESAs if they wish to build in a REZ. The intention is that these will be allocated through a single tender process, the aim being to reduce and simplify processes and ensure an integrated experience for investors. LTESAs will be available to projects outside the REZ but must show outstanding merit.

Q1. How effective is the proposed generation LTESA design in meeting the intended objectives? What are your views on the overall generation LTESA design concept?

The effectiveness of generation LTESA design can’t be fully assessed in the absence of detailed governance and decision making frameworks that will guide the Consumer Trustee. While we can make general comments regarding the proposed structures, in the absence of the complete picture it is difficult to come to an informed conclusion as to what extent LTESA objectives are being met.

For example, one of the objectives is to :

“protect the financial interests of NSW electricity consumers by supporting sufficient (but not excessive) generation, long duration storage and firming projects”

The design of the LTESA on its own does not achieve this objective if decision making and/or governance frameworks are insufficient. For example, if generation or long-duration storage targets are to be pursued irrespective of cost, or if cost thresholds are set too high then this objective would be difficult to achieve.

Additionally, in the absence of independent auditing and robust reporting on LTESA outcomes it is also impossible to tell if LTESA design will:

“achieve an efficient risk allocation between projects and NSW electricity consumers. The outcome of an efficient risk allocation is expected to be investors providing low-cost capital to fund projects”

The legislated ability of the Financial Trustee to raise funds from energy users to ensure liquidity of the Scheme Financial Vehicle means energy users are essentially providing a line of credit to the Scheme Financial Vehicle and by default project proponents and the financial institutions that support them. This does not represent an efficient allocation of risk.

So, while the LTESA design itself certainly provides project proponents with ample protection against low wholesale prices, our concern is that it may come at the expense of less efficient outcomes for consumers.

Q2. Beyond those mentioned in this paper, are there other major considerations that should be factored into the design concepts?

The focus should be economic efficiency as viewed from an energy consumer perspective. Other factors that bring additional, non-energy related costs into consideration would not be supported by the EUAA.

Q3. We are seeking feedback on how risk has been allocated within the generation LTESA design concept. How can the risk allocation be optimised to meet the design objectives?

See our answer to Q1. It is impossible to provide a complete answer to this given we don't have the complete picture that includes detail on governance and decision making frameworks. Suffice to say we believe a majority of risk appears to reside with consumers.

Q4. How can we reduce the complexity of the design without significantly altering a project's cost of capital or bid prices?

While we can understand why project proponents would seek less complexity (less complexity can be good for consumers as well) we would guard against sacrificing good governance and robust due diligence in the pursuit of a more streamlined process. We have similar concerns around the REZ approval process that appears to water down the usual approach taken by the AER in making RIT-T assessments. If consumers are to bear all cost and risk, as it would appear, then we should not be trading away good governance and economic rigor simply because project proponents or governments desire a faster outcome.

Q5. The generation LTESA design is intended to support participation in the contracts market. Are any of the proposed design terms likely to interfere with participation in the contracts market? Which terms are most likely to enhance participation?

The answer to this is "it depends". If proponents and their debt providers are highly risk adverse or if they hold a dim view of future wholesale prices, they may seek the safety of the LTESA option more often than not, especially if the Merchant DWAP is set at a level that provides sufficient returns for both debt and equity.

Ironically, one of the intended outcomes of the Energy Infrastructure Roadmap is to deliver lower wholesale prices which makes it more likely than not that proponents will exercise their LTSEA option to shield themselves from this outcome requiring payments from the financial trustee to the project proponent. If new generation is deployed under the program so as to oversupply the market, then low wholesale prices will similarly result with the project proponent exercising their LTESA option more often than not, once again requiring payments from the financial trustee to the project proponent.

One of our concerns is that we can envisage circumstances where the scheme financial vehicle has insufficient funds to make these payments. For example, if more project proponents exercise their option rights early in the process (before the scheme financial vehicle has accumulated sufficient funds), then the Financial Trustee has a "legislated power" to recover these additional funds from energy users.

So while consumers may gain on the swings (lower wholesale price) they lose on the roundabout (increased pass-through costs via network bills), which is simply moving costs around on the bill rather than lowering it.

Finally, we can see that the requirement of a project proponent to repay the scheme if they exercise their LTESA option will potentially support projects entering into PPAs vs LTESA, especially when market prices then increase. However an exemption from repayment that may be applicable if a project enters into a wholesale agreement doesn't sound like a good idea. Project proponents should be incentivised to enter into PPAs from the beginning not just later when they've finished enjoying the protections of the scheme. Having relaxed sunset dates and any other "favourable to market" terms will lead to projects favouring LTESAs over PPAs and may also lead to watering down of value for PPA customers due to the Government setting the

new market norm. There has to be a balance between protecting customers and “incentivising lowest cost capital” – in its current form this balance appears to be lacking.

Q6. Our intention is for the LTESA fixed price to cover debt service covenant, and the repayment threshold price to be set around a reasonable equity return.

- What factors will be considered in formulating a bid?
- What are the benefits of allowing bidders to nominate a profile of fixed prices for each option period compared with a single nominal fixed price across LTESA term?

We have no comment to make.

Q7. What are the key cashflow concerns for projects under the generation LTESA design? Has the LTESA design alleviated other cashflow concerns that may exist for projects without a LTESA?

We have no comment to make.

Q8. We would like your feedback on the generation LTESA repayment mechanisms.

- How will the proposed repayment mechanism affect the fixed price and repayment threshold price in tender bids?
- Are there any issues with the repayment design that might impact a project's operating or contracting strategy?

We are supportive of the repayment mechanism and see it as an improvement on the standard CFD arrangement. We would assume project proponents will factor in some level of “repayment risk” into their bid.

One issue to consider would be at what point in the 20 year LTESA cycle is it more economically beneficial for a project proponent to simply exercise their LTESA option so as to avoid repaying accrued benefits? For example, if a project is in year 15 of its 20 year LTESA agreement and has accrued significant payments from the Financial Trustee it may be more beneficial for them to exercise their LTESA option even if it delivers a lower (but still sufficient) revenue stream so as to avoid repaying these accrued benefits.

An option to consider in this circumstance would be to place a cap on the maximum value of accrued benefits a project can retain and require some level of repayment regardless of an LTESA option being exercised. This still allows the proponent to make significant returns from the wholesale market but reduces the total exposure of energy users. We think it fair and equitable that if there is a cap on the amounts recoverable from project proponents by the Scheme Financial Vehicle there should also be a cap on the total amount of accrued benefits provided to the project proponent. In this way the total exposure of both parties associated with the transaction (project proponent and energy users as the ultimate underwriters) has some boundaries.

Q9. The Department's reasoning for proposing fixed shape fixed volume contracts is that projects are best placed to manage their shape and volume risk, as outlined in Section 4.

- How will the proposed risk-sharing approach impact projects' risk position (including the credit risk of your projects)?
- How will the proposed risk-sharing approach impact projects' LTESA fixed price and cost of capital?
- The Department will consider other risk-sharing arrangements if these arrangements can address the matters outlined in Section 4. If proposing an alternative approach, please address these in your response.

We have no comment to make.

Q10. We are seeking feedback on projects' decision-making for exercising their generation LTESA options.

- What are the key factors that will influence the decision to exercise an option?
- Would a project operate differently if it has exercised an option?
- How would exercising an option affect the contracting strategy of a project? Will projects sign a Power Purchase Agreement during an exercise period?

We have no further comments to make.

LONG DURATION STORAGE LTESA DESIGN

With the gradual and inevitable closure of traditional forms of synchronous generation comes a reduction in critical services these generators provided as a consequence of their operation. With their high emissions and negative climate impacts these synchronous generators are being replaced by non-synchronous generators like wind and solar. While renewable energy is zero emission and therefore must play an increasing role in energy supply, we must recognise they do not provide many of the services inherent to the generators they are replacing. Encouraging long duration storage is one way of helping to restore some of these services. However, we would offer an alternative approach to what is proposed in the Consultation Paper.

Firstly, generator standards should not only include a requirement to do no harm but an obligation to deliver a service, being energy, that is fit for purpose. By requiring generators to deliver this outcome ensures that those who are both causing these problems and are in the best place to manage them are responsible for resolving them.

Secondly, develop new markets for these services. Some of these markets are being proposed by the ESB as part of their Post 2025 Market Design. This provides an efficient and competitive means by which generators can meet their new obligations while the cost of resolving the problem is “in market” with cost recovery from the wholesale energy or contract markets as has traditionally been the case.

Given the NSW Government has decided on a different approach we would say the Long Duration Storage LTESA design seems a reasonable way of encouraging storage to enter the market, albeit underwritten by energy users. However, we once again note that the Resource Adequacy work stream of the ESB Post 2025 Market Design also seeks to resolve this issue through, amongst other things a Physical RRO (or capacity market) and a Strategic Reserve.

One of our main concerns therefore is the interaction between these differing national and state based proposals and the potential for overinvestment and unnecessary costs. While references are made in the Consultation Paper that the scheme can change to accommodate changes in the NEM, we see no mechanism or guidance on how this will happen.

Further to this, as we outlined earlier in this submission, an efficient market for consumers and one that is in their long-term interest, is one where more costs are subject to competitive market forces where consumers have an opportunity to negotiate better outcomes for themselves. Future energy policy must seek to ensure more costs are in market, where a causer pays principle applies and where risk is allocated to those in the best place to manage it.

The potential effect of Long Duration Storage LTESA is take costs and risks “out of market”. While there will be a competitive tender and the design does encourage market participation the energy user is the ultimate underwriter of the scheme with costs being allocated (or smeared) across the customer base via the DNSP bill.

Q11. What should be considered for the design of a firming LTESA?

- How suitable are the proposed long duration storage LTESA designs and terms as a basis for a firming LTESA?
- What other designs could be suitable for a firming LTESA? For example, an option to enter a cap contract?
- Do you have any other feedback on the firming LTESA design?

Of the three options described in the Consultation Paper (Annuity Payment, Virtual Storage and Super Peak) the annuity payment seems to offer project proponents the greatest encouragement to be “in market” more often than not.

Q12. How effective is the long duration storage LTESA design concept in meeting the intended objectives?

As we stated earlier in this submission, the effectiveness of LTESA design can't be fully assessed in the absence of detailed governance and decision making frameworks that will guide the Consumer Trustee.

While we can make general comments regarding the proposed structures, in the absence of the complete picture it is difficult to come to an informed conclusion as to what extent LTESA objectives are being met.

Q13. Which is your preferred long duration storage LTESA design?

Of the three options described in the Consultation Paper (Annuity Payment, Virtual Storage and Super Peak) the annuity payment seems to offer project proponents the greatest encouragement to be “in market” more often than not.

Q14. We are seeking feedback on how risk has been allocated within the long duration storage LTESA design concept. How can the risk allocation be optimised to meet design objectives?

See our answer to Q1.

Q15. How can we reduce the complexity of the design without significantly altering a project's cost of capital or bid prices?

See our answer to Q4.

Q16. Our intention is for long duration storage LTESA contracted annuity amount to cover expected shortfall of net operational revenue in meeting the minimum revenue required for investment. How would a project develop a bid for the annuity amount?

We have no comment to make.

Q17. We want to ensure the long duration storage LTESA retains the incentive for a project to operate in a profit-maximising way. To what extent is this encouraged in the Annuity Payment Option? Will the reduction in a projects annuity payment as its revenue approaches the net revenue threshold continue to incentivise profit-maximisation?

Given the high level of flexibility afforded project proponents to operate in a range of existing and emerging markets, our hope is that the annuity payment is truly a fall back for the project proponent.

Q18. We would like to understand the market opportunities for long duration storage.

- Which markets and services (both existing and future) are expected to be valuable to a long duration storage facility with 8 hours of storage?
- How will revenues from these markets affect the contracted annuity amount that is bid?
- Will long duration storage LTESA change a facility's participation in other markets?

As stated earlier in this submission, the ESB Post 2025 Market design work has identified numerous new markets for the technologies encouraged by the Long Duration Storage LTESA approach. Our greatest concern isn't that there will be insufficient market opportunities but a lack of coordination across jurisdictions that allows an amount of double dipping of benefits. This would have the result of consumers paying twice to encourage the same project, which is a highly inefficient outcome.

Q19. We would like your feedback on the long duration storage LTESA repayment mechanisms.

- How will the proposed repayment mechanism affect the contracted annuity payment amount that is bid?
- Are there any issues with the repayment design that might impact a projects operating or contracting strategy?

See our answer to Q8.

Q20. We are seeking feedback on projects decision-making for exercising their long duration storage LTESA options.

- What are the key factors that will influence the decision to exercise an option?
- Would a project operate differently if it has exercised an option?
- How would exercising an option affect the contracting strategy of a project?

We have no comment to make.

We look forward to ongoing engagement as the Energy Infrastructure Roadmap details are further developed. In particular we see the development of robust governance and decision making frameworks to be of paramount importance.

Kind regards,



Andrew Richards
Chief Executive Officer