

OPTIONS TO ADDRESS GAPS IN TRANSMISSION RING-FENCING FRAMEWORK – CONSULTATION PAPER

9 JUNE 2023

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.

Thank you for the opportunity to make a submission under the Options to Address Gaps in Transmission Ring-Fencing Framework Consultation Paper.

The EUAA supports an equitable transition of the NEM to reach net zero-emissions, constructed at least cost for a fit-for-purpose energy system while having full transparency in all justifications, costs and tender processes. The EUAA is concerned that without a rule change to close the gaps in the transmission ring-fencing framework identified by the AER, that there is potential for TNSPs to impact competition, thereby increasing the cost of the transition and increasing cost for consumers.

CONCERNS RAISED REGARDING TNSP DISCRIMINATION IN PROVIDING NETWORK SERVICES

The EUAA is aware of apparent discrimination in providing network services by TNSP's across the NEM. The EUAA has heard concerns regarding asymmetric information provision, apparent discounted tenders from TNSP affiliated entities and TNSP's performing more rigorous inspections of works by third parties prior to final connection to their network than had an affiliated entity been awarded the contract. This last issue is particularly concerning given that the third-party entities are usually the same entities engaged by the TNSP's and their affiliated entities to perform works on their behalf.

The EUAA has heard similar concerns across the NEM, including Victoria. This is despite the apparent extra oversight that Victoria receives through AEMO Victoria Planning (AVP).

The mitigating factors identified in the Consultation Paper to justify this apparent discriminatory behaviour does not seek to provide evidence that the behaviour is not occurring and appears insincere in addressing the root cause of the apparent discrimination.

The EUAA believes that whether the apparent discrimination occurs or not, the apparent discrimination appears to be real (based on discussions we have been privy to) without the evidence to prove otherwise, and detractors of

the TNSP's will continue with their current narratives, and the third parties able to perform the works will not "waste their time" developing a tender.

The net impact of real or perceived discrimination is reduced competition, and increased costs for consumers.

The EUAA believes that the existing measures in the NER are insufficient to prevent real or perceived discrimination by TNSP's.

As an example, when negotiating contestable works with a generator where network modelling and design is managed by the generator, with the NSP conducting frequent checks and advising corrections required to the model to match the particular network nuances, the process often requires up to 8-10 iterations before the model and design is acceptable to the NSP. When the NSP and/or affiliated entity performs the modelling and design, this process usually requires 2-3 iterations. It is this apparent information asymmetry that leads generators with little option but to choose the NSP or related entity to perform the works.

This example applies to both DNSP's and TNSP's and from this perspective, should the AER move from this Consultation Paper to a formal Rule Change, the EUAA encourages the AER to perform a review of the DNSP ring-fencing framework to bring it into alignment with the TNSP framework.

OPTIONS FOR IMPROVING OVERSIGHT OF NEGOTIATED TRANSMISSION SERVICES

Option 1: Add compliance reporting requirements within Chapter 5

The EUAA does not support Option 1. The EUAA sees additional reporting on its own as an ineffective method for the AER to determine if discriminatory behaviour is occurring or not. From the perspective of perception, if it is only perceived that a TNSP is partaking in discriminatory behaviour and not real, then the perception that the activity is occurring will continue and will then include the perception that the reporting is covering-up the behaviour.

Option 2: Include negotiated transmission services within the scope of the ring-fencing framework

The EUAA supports Option 2. By shifting negotiated transmission services into the transmission ring-fence to join the already ring-fenced prescribed transmission services, all transmission monopoly services will be inside the transmission ring-fence, allowing for better oversight of the activity left outside the ring-fence, being non-regulated transmission service, contestable connection services and any associated unregulated entities.

Within Option 2, the EUAA supports the proposals to require additional reporting (as per Option 1), extension of the current obligation to not discriminate to include between the related entity and competitors, extension of the ring-fenced information to include negotiated connections, extending the current obligation of marketing staff separation to include all monopoly services and including separation obligations for cross-branding and promotions.

The EUAA also encourages the AER to include office separation requirements in the ring-fencing framework.

Option 2 with office separation will remove most of the perception of discriminatory behaviour while also allowing the AER to investigate any remaining perceived incidences to determine if they are real or just perceived. Having the trusted independent AER working to resolve the apparent discrimination by TNSP's will have multiple benefits, including increased competition leading to lower than otherwise costs passed onto consumers.

Do not hesitate to be in contact should you have any questions.



Andrew Richards
Chief Executive Officer