



Level 17, 2 Lonsdale Street
Melbourne Vic 3000

GPO Box 520
Melbourne Vic 3001

tel: (03) 9290 1800

www.accc.gov.au

Contact officer: Lyn Camilleri
Contact phone: (03) 9290 1973

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Submitted by email: Electricity.Roadmap@dpie.nsw.gov.au

Re: Network infrastructure projects policy paper

Thank you for the opportunity to comment on the NSW Government's policy paper (the paper) on the network infrastructure projects delivered under the NSW Electricity Infrastructure Roadmap (the Roadmap).

The Australian Competition and Consumer Commission (ACCC) is Australia's competition and consumer regulator with the purpose of making markets work for consumers, now and in the future. The ACCC plays an active role in the Australian energy sector, where we are undertaking a long-running inquiry into the National Electricity Market with a key focus on energy affordability.

We highlight three key concerns in this submission: avoiding over-building network infrastructure; limiting deviation from the national energy framework, including in relation to the financing of network projects; and ensuring appropriate transparency and consultation.

Avoiding over-build in network infrastructure

Investments in network infrastructure account for a large proportion of consumer costs and, given their long asset lives, they have a long-term impact on electricity prices to consumers. Our inquiry reports into the National Electricity Market demonstrate that despite the recent decline in network costs, consumers in New South Wales are still paying for the additional, unnecessary costs of over-investment in network assets that reached a peak in 2014-2015. In our Retail Electricity Pricing Inquiry final report, we identified the cause of over investment to be both the 2005 temporary increase in network reliability standards and the inherent bias towards capital expenditure in the regulatory framework in place at that time.¹ To safeguard consumer affordability, network infrastructure projects must be designed to operate efficiently rather than seek to build in redundant capacity that consumers will pay for without benefit.

Limiting deviation from the national framework

We welcome the acknowledgement in the paper of the importance of regulatory consistency and support the establishment of the concept as a guiding principle in assessing the issues and options raised in the paper. The economic regulation of network services set out in the National Electricity Rules and the Australian Energy Regulator's guidelines has been developed through extensive stakeholder consultation and refined with experience. While we

¹ ACCC, *Retail Electricity Pricing Inquiry – Final Report*, July 2018, pp. 163-166.

appreciate that some deviations from established processes will be necessary to align with the requirements and objectives of the NSW Electricity Infrastructure Investment Act, we consider that close alignment wherever possible is in the best interests of NSW consumers. There are costs associated with regulatory duplication and increased complexity, which will ultimately be borne by consumers.

We also question the need for deviations from current established processes under the National Electricity Rules to address concerns in financing network projects within a Renewable Energy Zone under the Roadmap.

The paper notes that TransGrid and ElectraNet proposed rule changes to the Australian Energy Market Commission (AEMC) to address concerns about the financeability of large infrastructure projects and that the AEMC did not make the rule change because the proposed changes would not promote the National Electricity Objective. The AEMC concluded that the current regulatory framework did not create a barrier to financing these projects.

Also, there are a number of factors that reduce the risks to financeability for Renewable Energy Zone network infrastructure in contrast to the large network projects that were the subject of the TransGrid and ElectraNet rule changes. Renewable Energy Zone network infrastructure will be smaller in scale, thereby reducing development timeframes and capital costs. In addition, greater certainty will result from the role of the Infrastructure Planner in conducting preparatory activities and pre-construction development works before appointment of a network operator.

Ensuring appropriate transparency and consultation

While we appreciate concerns to reduce the current timeframes for gaining the regulatory approvals necessary to commission new network infrastructure, we caution against doing so at the expense of opportunities for meaningful transparency and consultation with stakeholders. Allowing stakeholders to view and input into network infrastructure options and the methodology to determine the maximum cost of projects is a valuable safeguard for affordability in infrastructure development.

If you have any questions in relation to this submission, please contact Lyn Camilleri, General Manager, Electricity Markets Branch, on (03) 9290 1973.

Yours sincerely



Anna Brakey
Commissioner