Record of oral submission to the ACCC

Matter name	Brookfield and MidOcean proposed acquisition of Origin
ACCC parties	Hugh Cosolo Andrew Ng Rachel Collins Albert Lee
TRACKIT No	MA1000024
Other parties	**Clean Energy Council** Con Hristodoulidis Christiaan Zuur
Date	Tuesday, 25 July 2023
Time	10:00am – 10:40am

Phone to ☐	**Phone from** ☐	**Teams Meeting** ☒	**Other** ☐

This was a meeting between the Clean Energy Council (**CEC**) and the ACCC to allow the CEC to provide an oral submission in relation to Brookfield and MidOcean's proposed acquisition of Origin.

CEC made the following oral submission.

Transitioning the National Electricity Market to renewable energy sources

1. CEC notes that the connection process has been one of the key challenges for large-scale renewable generation and storage projects. CEC has been engaging with the Australian Energy Market Operator (**AEMO**) to amend and reform the connection process, and so far, it appears to be paying dividends. CEC notes that the biggest and most fundamental challenge for large-scale assets has been the lack of viable and suitable places to connect to the system, which is in large part due to the lack of sufficient investment in transmission.
2. CEC recognises that there are also several other factors affecting the supply chain, including sourcing transformers and raw materials necessary to develop projects, as well as constraints around accessing the necessary workforce.
3. In relation to smaller scale projects like solar, CEC notes that the challenge has been converting passive energy to active energy and enabling energy to move around. CEC

notes that the next stage of reform will involve batteries, electric vehicles, and other behind the meter management systems. There have also been constraints around accessing the required workforce (e.g. electricians), impacting the ability to introduce batteries and solar at the desired rate. There are also challenges around sourcing solar panels, particularly given a lot of panels are sourced from countries where modern slavery is an issue.

4. CEC also notes that access to data is another challenge, particularly the limitations around being able to access real time metering and consumption data. CEC understands that the Australian Energy Market Commission (**AEMC**) will be developing a customer-led program where customers can authorise and verify themselves to enable providers to access data in real time.

Developing new renewable generation and storage projects

5. CEC notes that the length of time it takes to develop and complete new renewable generation and storage projects, and to bring them online in the National Electricity Market (**NEM**), depends on several factors such as the level of experience of the parties involved in the project, and individual contract and acquisition processes in place.
6. CEC notes that AEMO have started to develop resources that look at different stages of the connection process, noting that connection, planning and land acquisition and development is only one part of the development process. CEC has observed improvements with efficiencies around the connection process. For instance, in the past, projects were delayed for quite significant periods of time particularly in the late stages of connection (registration and commissioning stages) where additional modelling and analysis was needed.
7. However, in relation to project planning and development, CEC notes that the process of acquiring land, planning, and engaging engineering, procurement and construction contractors, and other parties to develop projects is becoming more complex. For example, risk sharing between parties is not as simple as it used to be (e.g. split contracts add complexity and adds to the time needed to develop projects).
8. CEC notes that smaller scale projects help meet step targets, help fill the void while planning and development of large-scale projects is being undertaken and are a revenue stream. The only real revenue stream available to a solar battery product is the wholesale market and Frequency Control Ancillary Services (**FCAS**). The next challenge will be accessing network services and rewarding customers for consuming off the grid at the necessary times.

14GW of renewable generation and storage assets in the National Electricity Market by 2033

9. CEC believes that the volume of renewable energy that the applicants claim they will be able to deliver is consistent with current targets (e.g. including those developed by the States such as at least 12GW in NSW) and projections for aggregate demand. CEC notes that AEMO's projections are in the order of 9 times the current volume, moving to at least around 200GW of capacity to maintain reliability.
10. CEC notes that there are several programs across the States, including very large scale builds by both government and network businesses. These Integrated System Plan (**ISP**) projects will take some time, but the CEC expects that they will be built towards the back end of the decade. AEMO and AEMC are also progressing projects to increase hosting capacity to enable more connection within assets to existing transmission assets.

11. CEC notes that there is a trade-off between generation, transmission, and storage, noting that each of these assets are prioritised at different times. For example, CEC is looking at large-scale storage which, if strategically and effectively located, can drive and enable more generation rollout while waiting for major transmission buildout.
12. CEC points out that it is important to recognise the broader context of the proposed transaction and its purported public benefits. For instance, the Inflation Reduction Act in the United States has driven competition and resourcing away from Australia and Europe. Factors such as these and the international landscape impact Australia (e.g. in terms of bringing capital and expertise to Australia).

Open access and Renewable Energy Zone (REZ) schemes

13. The NEM operates on open access which means that parties are able to secure a connection in a part of the grid as a connecting generator by following the requisite planning and connection process with AEMO and the relevant Network Service Provider (**NSP**). REZ schemes puts some limitations on how open access applies in the NEM in that in return for limiting open access there is a degree of reduction in congestion or curtailment risk that the operator of the REZ provides. The question of whether this is an impediment to connection depends on individual risk appetites.

AusNet's ability to discriminate against an electricity generator or retailer in Victoria

14. CEC notes that AusNet's ability to discriminate depends on how effective the Australia Energy Regulator's (**AER**) ring-fencing guidelines are. CEC understands that the AER is considering and currently in the process of developing a rule change request to bolster its ability to regulate ring-fencing of contestable network services. CEC believes that these reforms are important in not only reducing the risk of discriminatory behaviour but also reducing the perception of discriminatory behaviour within the market.
15. As to information asymmetries, it is incumbent upon the AEMC as part of its current review to set up a data sharing model to manage these concerns but also the AER to have appropriate ring-fencing to ensure that metering coordinators such as Intellihub are sharing metering data with providers through a competitive market with appropriate and reasonable pricing.
16. CEC expressed concerns that it may be challenging to obtain a comprehensive Australian perspective on AusNet's ability and incentive to discriminate against an electricity generator or retailer in Victoria. Generators who have faced discrimination might be hesitant to share their experiences openly, fearing potential repercussions or due to the need to continue business dealings with the party involved in the discrimination. CEC emphasised that one of the critical aspects of ring-fencing arrangements is the perception it creates regarding fair and non-discriminatory practices. Where there are well-defined and transparent parameters in place, it instils confidence among connecting generators and reduces risk for NSPs and their contestable ring-fenced entities.
17. CEC notes that concerns have been raised about perceptions of weakened guidelines and requirements in the existing framework for distribution networks, with some stakeholders believing that the rules favoured distribution businesses over competitive market participants.
18. As to vertical integration, CEC notes that a robust regulatory environment is necessary to ensure appropriate separation with all necessary measures in place. It is important to consider the significance of addressing potential market power in the

electricity market and balancing competition while considering the monopoly aspects of network transmission and distribution.

19. CEC notes that there is the potential for discriminatory behaviour between Transmission Network Services Providers (**TNSPs**) and their ring-fenced contestable NSPs and discriminatory behaviour between TNSPs and connecting generators. In relation to discriminatory behaviour during the connection process between TNSPs and connecting generators, CEC emphasised the role of impartial third parties (such as AEMO) in mediating negotiations between generators and TNSPs.

Vertical integration benefits and supplying to retailers through off-take agreements

20. CEC notes that vertical integration is one of several business models for managing risk in the energy sector. Businesses opt for a natural hedge through vertical integration and others may explore alternatives like Power Purchase Agreements (**PPA**).

21. CEC understands that the challenges with securing PPAs lie on the supply rather than demand side. There is capital willing to purchase PPAs and many corporates now have emission reduction targets – which motivate them to buy PPAs to achieve these targets – however there are a lack of developers building renewable generation assets and selling PPAs. Addressing challenges on the supply-side requires increased generation connections and greater market certainty.