2 September 2022

Australian Energy Regulator

DRAFT 2022 RATE OF RETURN INSTRUMENT

The Clean Energy Council (**CEC**) is the peak body for the clean energy industry in Australia. We represent over 1,000 of the leading businesses operating in renewable energy, energy storage and renewable hydrogen. We are committed to accelerating Australia's clean energy transformation.

The CEC welcomes the opportunity to comment on the Australian Energy Regulator's (AER) Draft 2022 Rate of Return Instrument (RORI). This is an important instrument which underpins the investment in transmission required to support Australia's renewable energy transition, which includes an additional 10,000km of transmission lines to support 120GW of large-scale renewable energy generation and storage by 2050[1].

A recent report jointly commissioned by the CEC and Energy Networks Australia highlighted how transmission faces lengthy development timeframes throughout the planning, regulatory test (RIT-T) and delivery stages[2]. Concern was raised around the reactivity of the economic regulatory process to respond to the clear requirement for urgent investment in transmission. These barriers ultimately hinder the market in meeting the National Electricity Objectives (NEO), delaying efficient market outcomes which would deliver affordable and reliable electricity supply to consumers.

The recent announcement[3] by the Energy National Cabinet Reform Committee which supported the addition of an emissions reduction objective in the NEO should also be considered by the AER, given the likelihood of this being passed within this regulatory period. We consider the current barriers in the regulatory frameworks would adversely impact the achievement of the NEO, given delays to transmission development impact the development of clean electricity and the decarbonisation of the NEM.

The CEC acknowledges the work completed by the AER in engaging stakeholders on the key aspects of the RORI. The AER must consider how any changes made within the 2022 RORI would contribute to removing these barriers and meeting the NEO. In particular, proposed changes to the instrument related to the shortening of the term of the return on equity to five years, must be reassessed by the AER as to whether it is likely to be in the long-term interests of consumers.

We understand that a number of stakeholders have outlined how shifting to a five-year term for return on equity may have detrimental impacts. This includes concerns that it:

- is inconsistent with previously held practice of the AER, of investors and of other regulatory determinations; and

[1] 2022 Integrated System Plan (aemo.com.au)
[2] Market Sounding Report on Transmission (cleanenergycouncil.org.au)
[3] Energy Ministers' Meeting Communique, 12 August 2022 (energy.gov.au)

Phone: +61 3 9929 4100
Fax: +61 3 9929 4101
info@cleanenergycouncil.org.au

Level 15, 222 Exhibition
Street, Melbourne, VIC
3000, Australia

cleanenergycouncil org au

ABN: 84 127 102 443

- undermines the robustness of future outcomes and may lead to increased volatility in returns allowed under future determinations.

The CEC considers that the proposed change appears contrary to the NEO as it increases the regulatory risk faced and contributes to more onerous investment settings which undermine transmission investment.

In this period when transmission investment is of upmost importance, we urge the AER to align the regulatory determination more closely with the NEO.

Thank you for the opportunity to comment on the consultation paper. If you would like to discuss any of the issues raised in this submission, please contact Jordan Ferrari, Policy Officer, [redacted] or Christiaan Zuur, Policy Director – Energy Transformation [redacted]

Kind regards,

Christiaan Zuur
Director, Energy Transformation