



QUEENSLAND FARMERS' FEDERATION

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Submission

17 January 2020

Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Via email: ISPguidelines@aer.gov.au

Dear Sir/Madam

Re: Issues Paper - Guidelines to make the Integrated Systems Plan Actionable (November 2019)

The Queensland Farmers' Federation (QFF) is the united voice of intensive, semi-intensive and irrigated agriculture in Queensland. It is a federation that represents the interests of peak state and national agriculture industry organisations, which in turn collectively represent more than 13,000 farmers across the state. QFF engages in a broad range of economic, social, environmental and regional issues of strategic importance to the productivity, sustainability and growth of the agricultural sector. QFF's mission is to secure a strong and sustainable future for Queensland farmers by representing the common interests of our member organisations:

- CANEGROWERS
- Cotton Australia
- Growcom
- Nursery & Garden Industry Queensland (NGIQ)
- Queensland Chicken Growers Association (QCGA)
- Queensland Dairyfarmers' Organisation (QDO)
- Australian Cane Farmers Association (ACFA)
- Pork Queensland Inc.
- Queensland United Egg Producers (QUEP)
- Queensland Chicken Meat Council (QCMC)
- Bundaberg Regional Irrigators Group (BRIG)
- Burdekin River Irrigation Area Irrigators Ltd (BRIA)
- Central Downs Irrigators Ltd (CDIL)
- Fairbairn Irrigation Network Ltd
- Mallowa Irrigation Ltd
- Pioneer Valley Water Cooperative Ltd (PV Water)
- Theodore Water Pty Ltd.

QFF welcomes the opportunity to provide comment on the Issues Paper - Guidelines to make the Integrated Systems Plan actionable. QFF provides this submission without prejudice to any additional submission from our members or individual farmers.

The united voice of intensive, semi-intensive and irrigated agriculture



Background

The Energy Security Board (ESB) is consulting on changes to the National Electricity Rules (NER) to convert the Integrated System Plan (ISP) into an actionable strategic plan. These changes are being made to streamline the regulatory processes for key projects identified in the ISP whilst retaining a rigorous cost benefit assessment.

Under the draft changes to the NER, the Australian Energy Regulator (AER) is required to develop the following binding ISP guidelines:

- cost benefit analysis guideline (CBA guideline), which include changes to the Regulatory Investment Test for transmission (RIT-T) application guideline for projects identified in the ISP (actionable ISP projects)
- forecasting best practice guideline.

The draft changes to the NER may also require that the AER needs to update the existing RIT-T regulatory instrument, the RIT-T application guideline for projects identified outside the ISP process (non-ISP projects) and consider whether there is a need to update the Regulatory Investment Test for distribution (RIT-D), as well as the RIT-D application guideline.

The AER notes the ESB process of changing the NER to provide for the ISP is still underway. As such these guidelines are being developed concurrently with the rules development process so the overall framework will be in place earlier and stakeholders can consider the rules and guidelines together. The issues paper was therefore prepared based on the draft rules, which sets the scope and content of the AER guidelines.

Comments on the Issues Paper

The issues paper does not present a strong enough case as to why the preparation of a stand-alone Cost Benefit Analysis (CBA) Guideline (separate to the existing RIT-T Guideline) which will apply to both AEMO in conducting its assessment for the Integrated System Plan (ISP) and to Transmission Network Service Providers (TNSPs) in applying the RIT-T to actionable ISP projects, is required.

QFF notes that there is a need to balance the desire to streamline the project identification and approval process (ISP plus RIT-T) without removing the essential controls in the process. As such, we need a streamlined process not a duplicative or weaker process.

There is a significant rate of change across the energy sector, both from a technological standpoint but also in terms of regulatory amendments. Due to the limited resources at QFF and within other consumer advocate groups, we are increasingly relying on the Australian Energy Regulator amongst other bodies to represent customers best interests. This is particularly true for the development of, and outcomes from these Guidelines.

The timing associated with the release of the Issues Paper and also the Guidelines is of particular interest to Queensland electricity consumers given the current TransGrid and Powerlink investigation into network and non-network options for expanding transfer capacity between New South Wales (NSW) and Queensland (QLD). QFF specifically notes the Project Assessment Draft Report (PADR) released on 30 September 2019 which forms the second formal step in the 'expanding NSW-QLD transmission transfer capacity' RIT-T process and follows the Project Specification Consultation Report (PSCR) released in November 2018.

QFF reiterates the need to ensure uniformity between the assessment approach adopted for the ISP and that adopted for the RIT-T processes which will inevitably include actionable ISP projects (such as the expansion of NSW-QLD transmission transfer capacity).

The role of the RIT-T is to ensure that the most appropriate investment option is identified, with this assessment occurring at a more granular level than the ISP assessment. As such, there must be coherency between the outcome of the RIT-T and the ISP assessment approach so that consumers can

have confidence that the end-to-end process has robustly identified the optimal investment. The RIT-T will therefore typically consider a number of variations to those identified as part of the ISP. Most critically, RIT-T's also consider non-network options which may represent the best outcomes for electricity customers.

AEMO must be subject to the same level of scrutiny as a transmission network. The inputs, assumptions and scenario construction which informs the ISP are critical. QFF notes that the previous ISP (2018) omitted some critical items and underestimated distributed energy resources, while other AEMO forecasts have been materially inaccurate. This appears to be a result of a high degree of conservatism, with little suggestion of flexibility in AEMO modelling. As such, QFF does not accept that AEMO are the experts in forecasting.

QFF has been widely involved in various forecasting workshops and other stakeholder activities by the Queensland TNSP (Powerlink) and, is therefore of the view that TNSPs are more suitably qualified to make predictions about 'local' network requirements than AEMO.

QFF notes that Powerlink and other TNSPs are specifically required to support the long-term interests of consumers for safe, secure, reliable electricity, at the least cost, across a range of plausible futures. AEMO has no similar duty of care and there is also no explicit requirement on AEMO to consider related consumer-impacts. This includes emission reductions as a goal which immediately misaligns AEMOs projections with specific state targets.

To deal with some of this misalignment, QFF does support the AER's proposal for the RIT-T assessment to include modelled generation in the assessment of an actionable ISP project (such as generation in Renewable Energy Zones). This also ensures that the renewable energy zone models being developed by the ESB and the Australian Energy Market Commission (AEMC) would be included into, and strengthen, the forecasting approaches and modelling undertaken by AEMO. Again, this is a specific consideration for Queensland which has the highest level of solar-rooftop penetration, significant large-scale solar and an ambitious state-based renewable energy target.

If you have any queries about this submission, please do not hesitate to contact me.

Yours sincerely



Dr Georgina Davis
Chief Executive Officer