

16 December

Mark Feather

General Manager Strategic Policy and Energy Systems Innovation

Australian Energy Regulator

GPO Box 3131, Canberra ACT 2601

Via email: AERringfencing@aer.gov.au

RE: Consultation on Draft – Ring-fencing guideline (electricity transmission)

Dear Mark

Thank you for the opportunity to respond to the proposals set out in the Australia Energy Regulator's (AER) *Ring-fencing guideline (electricity transmission) – Draft* (Draft Guideline) published on 4 November 2022.

Squadron Energy is Australia's largest renewable energy investor, owner and operator with over 2GW of renewable energy under operation and an Australian development pipeline of 20GW. We are currently building the \$3 billion Clarke Creek renewable energy hub in central Queensland, which is the largest grid connected project in the country, and will be commencing construction of another 2GW worth of projects within the next 18 months.

We welcome the Draft Guideline's focus on whether appropriate controls are in place to support competitive outcomes in markets within which TNSPs operate. In this short response we would like to highlight two key points:

- with regards to batteries specifically, the AER should closely monitor the market with a view to further strengthening of restrictions in the future, if necessary, to respond to a fast-changing market, and in the meantime ensuring waivers are issued only by exception;
- with regards to grid connections, there are broader concerns regarding the relationship between TNSPs and their affiliates.

TNSPs' role in the ownership and operation of batteries

Transmission ring-fencing has an important role in enabling a vibrant batteries market in the NEM, encouraging the investment and innovation required in this critical area of the energy transformation.

Therefore, we support the Draft Guideline's proposed restrictions on TNSPs owning and operating batteries. This is an important restriction to allow for a clear pathway for the deployment of batteries.

However, we would recommend that the AER continues to monitor the practical application of the new guidelines and consider if more robust restrictions may be required to respond to the fast-changing batteries market. For example, ensuring that TNSPs:

- are not indirectly benefiting from non-transmission services through the ownership of batteries by their affiliates;
- procure network services in an open market tender, so that batteries owned and operated by their affiliates are not unduly favoured; and

- when such services are procured from their affiliates, the leasing arrangements are sufficiently transparent.

In the meantime we would support the AER's proposed guidelines regarding waivers, although we would anticipate waivers being required only in very limited circumstances. In this regard we also agree that a streamlined process is not necessary.

Grid connections process

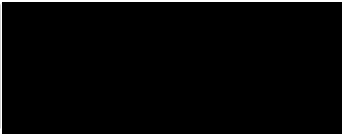
Negotiated and contestable services provided by TNSPs and their affiliates are critical to enabling increasing renewable generation and batteries to be connected to the network.

While we appreciate certain parts of the Draft Guideline attempt to address the conduct between TNSPs and their affiliates, our concerns remain regarding the time, cost and ease of connections processes.

We would therefore support extending the AER's ring-fencing powers to cover TNSPs' negotiated transmission services, and would welcome a discussion regarding further regulations which may be appropriate to support an open, competitive market.

We look forward to continued engagement on the Draft Guideline. Our Policy and Regulatory Manager Rupert Doney can be contacted at [REDACTED] if you would like to further discuss any elements of this submission.

Yours sincerely



Eva Hanly

CEO Squadron Energy