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General Manager, Strategic Policy & Energy Systems Innovation
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601
Lodged by email to: AERringfencing@aer.gov.au

Dear General Manager,

Response to Ring-fencing Guideline Electricity Transmission - Issues Paper

Tilt Renewables welcomes the opportunity to comment on the Australian Energy Regulator's (AER) above Issues Paper.

Tilt Renewables is committed to continue playing a lead role in accelerating Australia's transition to clean energy. Tilt is the largest owner and operator of wind and solar generation in Australia, with 1.3 GW of renewable generation capacity across nine wind and solar farms operating, or in the final stages of commissioning, and another 396MW wind farm (Rye Park in NSW) under construction. In addition, Tilt Renewables has a development pipeline of over 3.5GW including the 1.5GW Liverpool Wind Farm development project in NSW's CWO REZ and several energy storage projects.

Tilt agrees with the AER that the current ring fencing guidelines definitely requires strengthening for the reasons cited in the paper including the fact that much has changed since the original guidelines were published in 2002 including, in particular, the emergence of utility scale Battery Energy Storage Systems (BESS) which store and export electricity (like a generator) while also providing important network services including Fast Frequency Response and synthetic inertia. Tilt shares the AER's view when they state:

"We hold similar concerns about the ability of TNSPs to cross-subsidise contestable services via a battery, stifle development of the nascent market for batteries, and favour an affiliate in providing contestable services via a TNSP-owned battery." (p.17)

The three bullet points listed under this quote are all valid points that require consideration; however, the issue raised immediately afterward is at least as important.

"Concerns were also raised during the AEMC's Integrating Energy Storage Systems into the NEM rule change process about the ability of TNSPs to connect their own or affiliates' batteries on favourable terms."



Tilt shares these concerns as the grid connection study and connection agreement negotiation process for a battery is the most time consuming and expensive part of the development process. If TNSPs are able to expedite their own BESS projects and/or relax technical requirements, private battery developers would be at a major disadvantage. As the grid connection process is all strictly confidential, it will be very difficult for a company to learn, let alone prove, a TNSP has provided favourable treatment to its, or an affiliate's, battery project.

The AER succinctly states the danger of discrimination against independently developed BESS:

“TNSPs have a significant degree of influence over a generator’s activities in the wholesale market due to control over connection requirements, access arrangements and network congestion, and so they have an ability to favour affiliates in this market.” (p.24)

The four tools listed directly after this quote, that could be used to try to limit a TNSP from favouring their own BESS projects, appear to be far from foolproof. Tilt considers that a simpler approach worth considering is as follows.

If a NSP considers a battery in a particular area of the network could provide an essential network service, the AER could require that the TNSP conduct a competitive tender process with private (and unaffiliated) companies to build, own and operate the battery to provide the needed service. The TNSP, or an affiliate, does not have to own the battery; they just need to secure provision of the service. Such a process would likely be far more successful minimising, or eliminating, discrimination concerns. There are existing precedents for this with the NSW Government tendering for essential network services to be provided by the Waratah Super Battery and AEMO procuring system strength for the Western Victorian network via a tendering process with privately owned Synchronous Condensers.

Thank you for the opportunity to provide a submission on the Issues Paper. If you would like to discuss any of the issues raised in this submission further, please contact the undersigned at Jonathan.Upson@tiltrenewables.com.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Jon Upson".

Jonathan Upson
Head of Policy & Regulatory Affairs