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Jess Hunt
Senior Advisor, Electricity Market Design
Energy Security Board
By email: info@esb.org.au

Development of the detailed design for the Congestion Management Model

Dear Jess

Energy Consumers Australia (ECA) welcomes the opportunity to comment on the Project Initiation Paper for the delivery of transmission access reform via the proposed Congestion Management Model (CMM).

ECA represents all residential and small business consumers in the National Electricity Market (NEM), and these consumers pay for and guarantee the financial return of all transmission infrastructure built in the NEM. Accordingly, the effective management of this infrastructure is critical. The existing open access regime leads to highly congested transmission and bad investment and operational decisions by generators. If we do not improve transmission access and congestion management, the only alternatives are to significantly reduce reliability or to build more infrastructure than is needed. While building unnecessary energy infrastructure may serve some market actors, it creates undue costs for consumers and the economy as a whole.

Consumers' interests in the effective management of the transmission they fund is why ECA endorsed the earlier options and ultimately the CMM as a reasonable model in our submission to the Post 2025 Market Design process. It would deliver substantial benefits to consumers in the long term via more efficient investment in and operational dispatch of energy assets, and we continue to support it.

The Australian Energy Market Commission (AEMC) and the Energy Security Board (ESB) have been very clear in making the case for change. The CMM provides many benefits: avoiding disorderly bidding, associated inefficient dispatch, poor locational decisions for new investment, suboptimal utilization of assets including interconnectors, and perverse price signals for storage and firming assets under conditions of local congestion in particular. It is important to note that the CMM is itself a compromise away from the 'pure' 'CoGaTI' model of locational marginal pricing (LMP) and associated market-based hedging of risk via financial transmission rights. That model likely offered greater overall benefits to consumers than the one currently proposed. Indeed, the AEMC's original 'CoGaTI' modelling indicated highly material benefits from an approach which recognises the impacts of congestion via a clear price signal, directed towards reducing the overall costs of the system, both in terms of the capital invested by participants and the operational costs incurred. Again, consumers pay for all such costs in the long run.

The ESB's Post-2025 process dealt carefully with the tradeoffs between the 'pure' CoGaTI model and other factors including government policy and programmes, the concept of Renewable Energy Zones (REZs), the necessity to treat incumbent assets equitably in any change of market design, and the desirability of caution and simplicity in implementing such a change. The ESB was rigorous in canvassing a range of possible transmission access reform designs which might meet the various objectives above, and assessing these against each other.



In our assessment of these options, we preferred the hybrid congestion management and connection fee model – given it provides clear price signals in relation to congestion in both investment and operational timeframes. The model also supports the development of REZs via the proposed rebate of congestion impact to foundational REZ participants, and treats incumbent assets equitable via grandfathering the impacts.

Under such a model, we would expect a strong investment environment for storage and flexible load co-located with variable renewable generation capacity within REZs, given their ability to access low local prices during periods of congestion. This investment will allow for more efficient use of the transmission needed to link the REZ to the overall system.

The long-term modelling of the least cost system under the Integrated System Plan (ISP) implicitly assumes both locational and operational decisions for assets are consistent with the LMP approach. Consumers are highly exposed to the costs and benefits of investments being driven by the ISP, so it is important that the reality of transmission access is consistent with the least-cost modelling used to justify these investments.

If you have any questions about our comments in this submission, or require further detail, please contact Brian Spak by email, brian.spak@energyconsumersaustralia.com.au.

Yours sincerely,

Lynne Gallagher
Chief Executive Officer