



4 July 2023

Queensland Department of Energy and Public Works

Lodged via email to energybill@epw.qld.gov.au.

Draft Exposure Bill, Queensland Energy and Jobs Plan

The CEC is the peak body for the clean energy industry in Australia, representing over 1,000 of the leading businesses operating in renewable energy, energy storage and renewable hydrogen. We are committed to accelerating the decarbonisation of Australia's energy system as rapidly as possible, while maintaining a secure and reliable supply of electricity for customers.

The CEC welcomes the opportunity to comment on the draft exposure bill for consultation on the Energy (Renewable Transformation and Job) Bill 2023. Our feedback has been provided in response to the questions posed in the public consultation form.

What is your feedback on the Queensland Renewable Energy Targets part of the exposure draft?

The CEC welcomes enshrining of these targets in legislation as it provides clarity around the level and pace of decarbonisation, as well as signalling the government's commitment. We also welcome the plan to produce a blueprint that will outline key infrastructure to achieve the renewable energy targets as it provides some clarity regarding what is required to meet targets.

While appreciating the clarity of the targets and the blueprint, CEC encourages the QLD government to provide more specific detail on implementation mechanisms for achieving the optimal infrastructure pathway on time, as this will support private investment.

We also welcome further consideration of the combined roles of large and small scale renewable generation in meeting these targets. While the focus of this submission is primarily on utility scale renewable generation and storage, it's worth noting the rapid uptake of CER technologies by consumers and the role these technologies will play in the overall transition. The CEC remains the primary industry body for CER generation and storage, and we welcome further engagement with the QLD government to explore how these technologies can contribute to meeting the QLD targets.

What is your feedback on the Job Security Guarantee part of the exposure draft?

We recommend that the purpose of the Jobs Security Guarantee Fund be amended to provide security and support to affected energy workers **and their families**. It may be the case that the energy transition allows workers to change who is the primary earner in the household. Support being extended to the household level allows flexibility in how the funds are used and may provide the security needed for a change in the financial structure at the household. This change may support more women to be employed in the clean energy sector.

What is your feedback on the Public Ownership part of the exposure draft?

While the CEC appreciates the clear statement on the relative percentages of public and private ownership across asset types, uncertainty remains with this part of the exposure draft. In particular, we consider the definitions of public ownership set out in clause 12(4) could be further clarified, as could the references in subclauses 4(c), which state:

“an interest prescribed by regulation held in relation to assets of the class under an agreement or arrangement prescribed by regulation, to which the State or a GOC is a party, relating to electricity generated using the assets.”

The CEC considers it is unclear whether this clause refers to offtake arrangements, or concessional financing / underwriting for assets on the basis of a given volume of electricity produced. Additional clarity is necessary around this point.

Some uncertainty also remains regarding the definitions of storage. For example, the current draft at 15(2)(a) mentions ‘large scale energy storage’ without specifying what projects would be considered large scale, but the rest of the draft bill language does not appear to mention other storage technologies or duration.

We understand the term ‘deep storage’ refers specifically to the Borumba and Pioneer-Burdekin pumped hydro assets, and that future regulations will provide further definition. However the current lack of these regulations, as well as uncertainty as to whether other projects may be captured under this definition in future, leaves some uncertainty regarding whether particular storage technologies will be covered by the Bill and the public ownership requirements, and whether this will change over time.

Until these thresholds and definitions are made clear, it will be harder for investors to make decisions regarding storage assets in QLD.

Similarly, while it’s understood that the 50% ownership for generation excludes ‘behind the meter’ assets, we would welcome clarification as to whether this includes VPP solutions, and the aggregators who provide these services. While we understand that behind the meter generation is to be excluded from the consideration of generation ownership proportions, VPPs may still unintentionally not be exempt from the calculation. The eligible generation for these calculations is defined in the Bill as generation from registered participants, and VPPs as we understand need to be registered participants. Hence, VPPs will be captured as part of the target calculation by the mere fact they will be registered participants.

Consequently, we urge that the final bill include language that expressly exclude VPP’s as registered participants from the 50% target calculation.

Generally, industry welcomes the open and consultative approach being taken by the QLD government in considering these matters in the implementation of the QEJP.

Recognising the Department’s request for input on what interests in a generating asset should be included, we support the general approach taken of utilising the legislation for the high level framing and then utilising regulation and the Minister’s *public ownership strategy* for describing how the State proposes to achieve, or promote the achievement of, the targets. In addition to the consultation now,

we recommend the Minister and Department consult with industry at each review. This will offer an opportunity to assess performance to that point and reconsider any changes to regulation and the *strategy* that may better support achieving targets.

For this consultation, the CEC notes that power purchase agreements and concessional project finance have been successfully used to date. For the forthcoming regulations and initial *public ownership strategy*, we encourage the QLD government to consider whether these other forms of support for investment in renewable generation and storage might be considered under the strategy.

What is your feedback on the Queensland SuperGrid Infrastructure Blueprint part of the exposure draft?

As identified earlier, the CEC generally supports utilising a blueprint as a high level guide to the actions required to achieve Queensland’s decarbonisation and renewable energy targets. To support the achievement of those targets, we note some language in the draft legislation which we consider may run contrary to that goal.

Section 15(2)(f) states that the Blueprint will include “an estimate of the total of the installed scheduled generation capacity throughout the State that is required to meet the reliability standard.” This requirement may be problematic as it appears to exclude consideration of semi-scheduled generation – such as wind and solar. We consider this may be detrimental to developing effective forecast volumes of generation capacity from renewable sources as part of the optimal pathway”

We consider there is a risk the wording of this clause could result in suboptimal outcomes. First, the Government could over invest in volumes of scheduled generation. Second, the general planning measures laid out in the Blueprint, particularly identification of priority transmission and REZs, may not be undertaken in a manner that takes account of actual volumes of expected semi-scheduled generation. Thus, if the Blueprint doesn’t properly capture the volume of semi-scheduled generation that could contribute to the optimal pathway, it will predetermine an outcome with more scheduled generation.

What is your feedback on the Priority Transmission Investments part of the exposure draft?

The CEC is generally supportive of the approach taken in the exposure draft to directly fund the build out of the major priority transmission investment projects. Some uncertainty remains as to where the boundary will lie between these shared transmission assets and the REZ assets, and therefore what portion of the network will be funded through access rights charges. We look forward to further clarification on this in future papers.

What is your feedback on the Grid Supporting Technology part of the exposure draft?

We note this element of the exposure draft refers to new terms of operating works and battery storage devices. The main uncertainty here is the approach being taken to the ownership of these assets. As we have set out in our response to previous submissions on ringfencing provisions, the CEC considers that storage assets should primarily be owned and operated by the private sector, with contracts written to provide network services for grid support. This will drive investment in storage assets and deliver lowest cost outcomes for consumers.

We hope that the wording of the exposure draft will not preclude these kinds of arrangements from taking place in Queensland.

What is your feedback on the Queensland Energy System Advisory Board part of the exposure draft?

As per comments below regarding the Energy Industry Council below, we consider that this board must have adequate representation from the private sector to ensure it delivers a balanced perspective. The CEC would be happy to provide representation on this board, or to assist the QLD government in finding individuals with the relevant expertise to provide quality advice.

What is your feedback on the Energy Industry Council part of the exposure draft?

We reconned that 's109 Powers' be reconsidered and constrained. The powers are currently too broad and essentially deliver powers to the advocate beyond what might be reasonably accepted.

In relation to s112 Appointed council members – the council currently lacks representation of key stakeholders necessary to perform its functions and maintain legitimacy in representing the relevant interests. The council should be a balance of employers and employees, including non-government industry representation and representation from key stakeholder groups. It might be comprised of:

- 3 GOC representatives
- 3 union representatives
- 4 representatives from key stakeholder groups, including the Clean Energy Council as the peak body for renewable energy, the First Nations Clean Energy Network, an higher education or training organisation, and a regional advocate such as RE-Alliance.

In s113 Chairperson – the chair should be appointed from the key stakeholder groups identified above (third bullet point).

In s115 Term of appointment – reappointment should be limited to a maximum of two terms. This ensures the council benefits from length of tenure but also has new membership and new ideas/energy.

A concern with s123 Council meetings generally is that there is no description of processes for decision-making processes, such voting procedures where there is no agreement on a point, what constitutes majority, whether consensus is sought, if the chairperson has a casting vote, etc

In relation to s124 Quorum, this should be achieved with seven council members present. A quorum of 10 is unlikely to be achievable on a regular basis and will limit the council's ability to resolve questions.

What is your feedback on the Queensland Renewable Energy Jobs Advocate part of the exposure draft?

Within s136 Functions, we recommend that (b) is amended to include consultation with other jurisdictions, community advocacy groups, and other relevant entities. This will ensure the job advocate engages with their counterparts in other jurisdictions when providing advice to the Minister, which is essential for understanding the broader national and international context of workforce development in the renewable energy industry.

We also recommend amending (c) to include something along the lines of the following subparagraphs:

1. *Monitor risks to communities through project development and delivery, including social license and the impacts of boom/bust construction cycles on local employment.*
2. *Provide advice on the social infrastructure investments needed to deliver energy infrastructure projects while minimising impacts on communities.*

Achieving and maintaining social license is increasingly being recognised by all stakeholders as the single most important barrier to achieving the energy transition at the pace demanded. Communities would benefit from a strong advocate working across risks to social license.

We recommend that 's137 Powers' be reconsidered and constrained. The powers are currently too broad and essentially deliver powers to the advocate beyond what might be reasonably accepted.

Is the process for identification and declaration of a REZ appropriate? Is the consultation period sufficient on technical elements of the REZ management plan?

The CEC has engaged extensively with other jurisdictions and with members regarding the design of REZs. We consider the following key principles can provide some insight into the best approach to REZ development – we look forward to learning more about the details of the QLD approach to REZ design in future papers.

Impact on investment decision making: Our experience from engaging with members is that some experienced developer operators consider key elements of REZ investment – such as winning auctions for access rights – can actually reduce the appeal of REZs. These 'binary risks' are difficult to manage, as opposed to risk management processes outside the REZ where developers have already developed significant experience. As per the below, anything that can be done to simplify these processes, as well provision of clarity and guidance, will go some way to addressing the impacts of these binary risks.

We also note that some portion of the cost of REZ infrastructure will be recovered through access right charges. Care must be taken here that these charges, coupled with any other community benefits type costs, do not end up making REZ investment less desirable than connecting on the shared network.

Don't let the perfect be the enemy of the good. The design of access rights should recognise that there is a trade off to be made between congestion protection and the complexity of mechanism design. Overlaying design elements such as local content or complex operational requirements such as time of day output profiles, can also increase the complexity and therefore reduce the value of access rights. This can in turn reduce the attractiveness of investing in the REZ. Access rights design should focus on principles of simplicity wherever possible – we note and welcome the fact that this appears to be the general approach taken in QLD so far.

Technical complexity should be minimised. While some form of batching process appears likely to progress in the QLD REZs, Powerlink should learn from the NSW experience in the CWO REZ (noting the NSW process still has some way to play out). While efforts have been made to simplify the access standards and connection process for connection within the CWO REZ, some of our members consider these processes are actually just as complex as connecting outside the REZ. The indicative approach to developing smaller, 'market led' REZs with a foundation project will hopefully go some way to minimising this technical complexity.

The CEC also notes the indicative ‘aggregator’ model, where Powerlink will play a coordinating role. We welcome further information on this model – while we appreciate the theory behind the batching / aggregator approach, as per the comments above, we consider there is a real risk these processes can end up being more complex than the current connection process and access standards.

Open access should be maintained to the greatest extent possible: While some investors will perceive benefit from locating inside a REZ, there are many who continue to pursue opportunities outside the REZ. The open access framework should therefore be maintained, to the greatest extent possible, to enable these connections to continue. This will ensure the lowest overall cost for QLD taxpayers and energy consumers to meet the QRET targets.

We welcome the general commitment that open access will remain in place for out of REZ connections in QLD. However, key here is minimising the extent of any ‘out-of-REZ access controls’. While these kinds of controls are referenced in the exposure draft, their application must be limited. In NSW similar measures have not actually been applied and we consider that QLD will be best served by adopting a similar approach.

Are there any other considerations for the cost recovery framework?

Clause 59 makes clear that the government can declare transmission connections within a REZ to be non-regulated connections in order to support cost recovery. The accompanying paper states that such non-regulated transmission connections are ‘not proposed to be counted towards ownership commitments and may be 100 per cent privately owned and operated.’

We welcome further clarity regarding why and when the government would make transmission connections in a REZ non regulated, and what implications that would have for ownership structure and cost recovery.

As always, the CEC welcomes further engagement from the Department of Energy and Public Works on this reform. Further queries can be directed to Christiaan Zuur at the CEC on czuur@cleanenergycouncil.org.au

Kind regards

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