

Authorisation

The role of Authorisation in Renewable Energy Zone development



AEMO Services plays an important role in the NSW Electricity Infrastructure Roadmap as the Consumer Trustee.

In fulfilling this role, AEMO Services is required to assess recommendations provided by the Infrastructure Planner, EnergyCo, on Renewable Energy Zone (REZ) network infrastructure.

What is Authorisation?

Authorisation is the process by which AEMO Services independently reviews REZ network infrastructure project recommendations provided by EnergyCo to:

- Assess whether the recommended network infrastructure project is in the long-term financial interests of NSW electricity customers.
- Consider the development pathway from the Infrastructure Investment Objectives report and assess whether the recommended network infrastructure project supports achieving these objectives.
- Decide whether or not to authorise a network operator to carry out the recommended network project within a REZ.
- If authorised, set a maximum capital cost for the project's development and construction. This acts as a protection against the costs of the project exceeding the benefits to NSW electricity customers.



Transmission development process

01

REZ declared by Government

An area with strong potential for renewable energy generation and storage is declared as a 'Renewable Energy Zone' by the NSW Government. New renewable generation projects such as solar and wind farms start to develop in these zones.



02

EnergyCo identifies a REZ network infrastructure project for the REZ

EnergyCo assesses options for REZ network infrastructure and develops a recommendation for a REZ network infrastructure project to connect new renewable generation projects to the main grid. As part of this process EnergyCo examines possible route options and undertakes community and stakeholder consultation. EnergyCo also undertakes a process to identify an appropriate network operator to carry out the REZ network infrastructure project. Once EnergyCo has developed this recommendation and selected an operator, it submits this to AEMO Services for authorisation.



03

Authorisation

As part of AEMO Services' authorisation responsibilities, the recommendation submitted by EnergyCo is assessed to determine if the REZ network infrastructure project is in the long-term financial interests of NSW electricity consumers and if the project helps achieve the infrastructure investment objectives. If the recommendation meets these requirements and other necessary criteria, AEMO Services can authorise the network operator and set a maximum for the capital cost for the development and construction of the project (which is provided, in confidence, to the Australian Energy Regulator (AER)).

04

AER Determination

The AER in its role as Regulator, is then provided a proposal by the network operator that sets out the amounts it seeks to be paid to construct and operate the network. The AER assesses the proposal and determines the prudent, efficient and reasonable costs that the network operator can recover. The AER uses the maximum capital cost provided by AEMO Services as an upper limit on the development and construction costs of the project to help ensure that the costs of the project does not exceed the benefits to NSW consumers.



05

Project continues

The Scheme Financial Vehicle pays the network operator the amount determined by the AER.

What is...

The Roadmap?

The NSW Electricity Infrastructure Roadmap, commonly referred to as 'the Roadmap', is the State's pathway to powering the state with affordable, clean and reliable electricity for everyone.

A Renewable Energy Zone?

Renewable Energy Zones or REZ's are the equivalent of modern-day power stations. They combine generation (e.g. solar and wind projects), storage (such as batteries), and network infrastructure (transmission lines) within a region to ensure electricity can be efficiently stored and transmitted when needed to homes, communities, businesses, and industries across NSW.

The Consumer Trustee?

The role of the Consumer Trustee is to act independently and in the long-term financial interests of NSW electricity customers. This duty is one of the protections for NSW customers built into the Roadmap, in helping to ensure that improvements to the affordability, reliability, security and sustainability of electricity supply in NSW are prioritised as part of AEMO Services decision-making practices in the Roadmap.

The Infrastructure Planner?

The Infrastructure Planner leads the strategic planning and consultation processes for new network infrastructure needed to connect the generation built in REZ's to the electricity grid.

The Australian Energy Regulator?

The AER's role in relation to network infrastructure under the Roadmap is to assess the cost of network projects recommended by the Infrastructure Planner and authorised by the Consumer Trustee (and occasionally the Minister) so energy consumers only pay prudent, reasonable and efficient costs for these projects.

