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First tender signals the start of a new energy transition

By Paul Verschuer, Executive General Manager

In 1888 when Elizabeth Piper, the Mayor of Tamworth, switched on the city's new electric street lights – the first such installation in Australia - I wonder whether she fully anticipated just how central electricity would soon become to every facet of our lives.

The benefits that seem so obvious now were not so then, and there was even a concerted campaign against the new technology from the businesses that profited from the city's superseded gas lighting system.

Today, I suspect that those of us who deal in the minutiae of the evolving energy transition can become a little desensitised to the extent to which our combined work might lead to a fundamental reshaping of our economy and ways of living. And as we press on with our day-to-day, it is easy to underappreciate seemingly routine parts of the progression that in hindsight may turn out to be landmark moments.

On October 4 we reached one of those moments when AEMO Services, in our capacity as the state's Consumer Trustee, opened the first tender round of the NSW Electricity Infrastructure Roadmap for generation and long-duration storage infrastructure.

Why this moment? After all, this involves only one state (although the largest) and one segment of the larger infrastructure puzzle to be constructed over coming years.

The answer lies in the challenge the Roadmap and our tenders for electricity infrastructure seek to address: incentivising and bringing-forward private investment in a completely new wave of assets – across transmission, generation, storage and firming – at an unprecedented scale. As a society, we continue to use energy at an ever-increasing rate. The impact of electrifying our transport and our industries is enormous. And we do so as the technology mix rapidly innovates, the output of wind turbines has increased by around 66% since 2020 and batteries have halved in price in just a few years.

The Roadmap will deliver new electricity infrastructure that will feed our grid and these energy needs – but it's bigger than that. Our new 'power stations' will no longer be centered in a handful of locations near coal supply, but instead will be decentralized across the State, focused in at least five Renewable Energy Zones.

Keeping the lights on with greener, affordable and secure electricity is only part of the challenge. We also need to make consumers and host communities central to decision-making and ensure they benefit from the energy transition.

The Roadmap has been designed to meet these challenges, it's a holistic policy that delivers opportunities for host communities and reliability, affordability and sustainability for electricity consumers, whilst generating significant economic opportunities for New South Wales.

For community and electricity customers, NSW has redefined how we can achieve the energy transition. Projects connecting to new transmission infrastructure in Renewable Energy Zones are expected to pay a contribution to that infrastructure as well as contribute financially to community and employment outcomes. The Renewable Energy Sector Board has been established and has delivered its first Plan, detailing the ways in which NSW workers, supply chains, other industry and community can maximise their involvement with the Roadmap. First Nations Guidelines have also been published, to help ensure that traditional owners and First Nations people will meaningfully contribute to the energy transition in this State and benefit from the economic opportunities it presents.

Investors and developers need little convincing as to the future needs of energy systems in Australia as coal fired generation retires. The Roadmap addresses the uncertainties that have previously held back attempts to replace this ageing capacity: the congested transmission networks, the conflict between rapidly evolving technologies and the significant capital requirements required for the longer term investments.

Part of the beauty of the Roadmap is that it does this without getting in the way of what the market delivers best: innovation and drive to find new and better ways of delivering critical energy.

Ultimately, as the Consumer Trustee we stand up for electricity consumers by ensuring that competition thrives and the best, most efficient projects which deliver energy in a socially responsible way are supported to construction as early as possible.

Already, more than 3.5GW of energy investment has been committed or is anticipated across NSW since the Roadmap was enacted, and we expect nearly all of these projects to be eligible to participate in our early tender rounds. Not all will do so – there are some which will develop at an appropriate pace without support – and obviously not every applicant through the tender process will be successful. A key part of this determination will include consideration of community benefits, social licence and regional economic development.

In this way, a robustly competitive tender process will maximise the value of public investment in the renewable energy transition from a wholistic standpoint, bringing quality energy to market sooner and providing those projects with the financial security and network access they need to realise their potential. Decades from now, they will likely form the core of a cheaper, greener and more reliable electricity supply. It is my hope that we can look back on

this moment as a beginning, a beginning much like Tamworth's ground-breaking introduction of electric streetlights.

-ENDS-

About the author

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Paul is responsible for leading the management of AEMO Services.

Prior to joining AEMO Services in June 2021, Paul spent more than 35 years in senior governance and management roles across the financial, government and energy sectors. This includes working with the NSW Department of Planning, Industry and Environment, Westpac, the Commonwealth Treasury and NSW Treasury.

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