

Victorian Access Regime

June 2024

Victoria is transitioning to renewable energy to tackle climate change and power Victorian homes, businesses, hospitals, schools and other vital services.

Investment in large-scale renewable energy generation and storage is critical to provide reliable and affordable electricity at the scale needed to power Victorian homes and businesses.

As Victoria plans its transition to renewables, there is an imperative to reform how variable renewable energy (VRE) generators access the energy network within Victoria's new Renewable Energy Zones (REZs).

That is why VicGrid is implementing a new Victorian Access Regime that will support new renewable generation investment in Victoria's REZs, improve coordination of generation and transmission capacity, promote community acceptance and be compatible with national reforms.

What is an access regime?

An access regime comprises the policies, regulations and/or conditions that govern the terms on which energy generators can connect to the physical Victorian transmission system (also known as the Declared Shared Network or DSN).

An access regime can give generators and investors confidence that they can get their energy into the market without the market operator excessively limiting their output. This limiting of generator output is known as curtailment.

Why do we need a new Victorian Access Regime?

The existing open access regime under the National Electricity Rules allows renewable energy generators to connect to the grid at almost any location. In some cases, a generator's chosen location means it is not adding usable new energy to the grid – instead, it may be displacing the output of other (typically, renewable) energy generators that are already there.

Investments that displace other generators increase the costs of the power system and create risk for investors but provide little benefit to consumers. The new regime will give the energy sector certainty and attract investment by putting in place measures to protect Victorian REZ generators from excessive congestion caused by duplicative investments.

VicGrid is putting in place a new Victorian Access Regime to give certainty to the energy sector, attract new generation investment to Victoria and deliver real benefits for communities.

Victoria's new access regime

The development of the new Victorian Access Regime follows the Victorian Transmission Investment Framework (VTIF) Final Design paper released in June 2023, where the Victorian Government expressed a preference for national reform to be implemented, and committed to developing access arrangements under the VTIF if national reform was delayed or not adopted.

The Victorian Government has designed a new access regime to support Victoria while being ready to integrate with national reforms if they are ultimately adopted.

Within REZs, access to the grid will be managed by placing a cap on new generation capacity permitted to connect within each REZ. Each REZ will have an access limit that will be set out in the relevant access scheme declared, in accordance with the Victorian Transmission Plan.

Secure access to the energy network is crucial to attract investment from renewable energy generators.

The Victorian Access Regime will improve investment certainty for renewable generation developers and investors. It will encourage efficient investment in Victoria's REZs by reducing the risk and uncertainty under the National Electricity Market's (NEM's) open access regime.



Key elements of the Victorian Access Regime



The new Victorian Access Regime will apply to new renewable energy generation and battery energy storage systems (BESS) projects seeking to connect to Victoria's Declared Shared Network (DSN). The Minister for Energy and Resources will declare the Victorian Access Regime across the DSN. This regime will override the current open access arrangements embedded in the National Electricity Rules.



The Victorian Access Regime seeks to mitigate future congestion by managing connections in a way that aligns with the hosting capacity required to support each of Victoria's Renewable Energy Zones (REZs).



Access to the Declared Shared Network within each REZ will be managed by placing a cap on connections (known as access limits) up to the efficient network hosting capacity (in megawatts). Incumbent generators and storage (such as BESS) are not subject to caps.



The Victorian Access Regime is designed to substantially reduce the risk that REZ generators will experience excessive curtailment arising from new generator connections outside the REZ.



Generators seeking to connect to the Declared Shared Network outside a REZ will be subject to a grid impact assessment, which is designed to preserve the integrity of REZs.



Access fees will apply to new generation and storage projects within REZs to recover administration costs, and cover contributions to Renewable Energy Zone (REZ) Community Energy Funds and dedicated benefits for Traditional Owners. A fee will also apply to projects seeking to connect outside of REZs to cover costs of undertaking a grid impact assessment.



The Minister will declare each REZ access scheme including its access limits and fees, on recommendation by VicGrid and following a public consultation process. VicGrid will be responsible for allocating access within each REZ and applying the grid impact assessment (where applicable).



Once potential REZs have been identified in the Victorian Transmission Plan and a REZ has been declared, VicGrid will publish a draft REZ access scheme for consultation. Among other things, the REZ access scheme will specify, for each REZ, a set of access conditions that a REZ generator must meet to be entitled to connect within the REZ. Following consultation on a draft REZ access scheme, the Minister may establish the REZ access scheme by publishing an order in the Government Gazette.



Each REZ access scheme will describe the process to be used to allocate access within the REZ. Access authorisations may be allocated on a first-ready first-served basis, a tender, or a combination. To be granted access authorisation, proposed projects in REZs will need to meet the access conditions set by the REZ access scheme.



Because BESS can alleviate congestion and increase the hosting capacity of a REZ by charging when there is surplus generation, BESS will not be subject to access limits, but they will be required to meet other conditions.

Drivers for the new Victorian Access Regime

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Successful development of REZs in Victoria
 A coordinated approach to all elements of renewable energy in a REZ

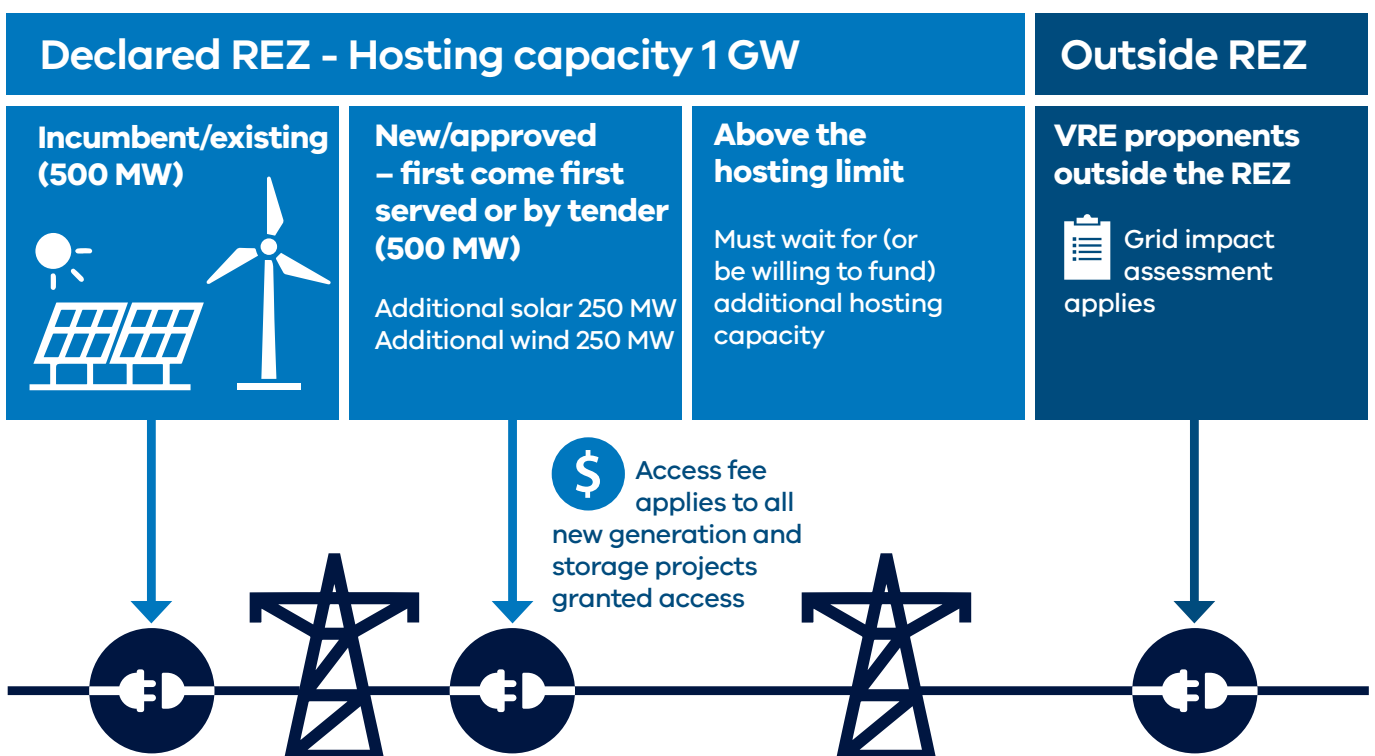
- 
Efficient investment in new VRE generation and BESS projects
 Reducing the risk and uncertainty for investors under current arrangements

- 
Reduce the social and environmental impact of access connections
 Through efficient transmission network augmentations that facilitate connections

- 
Improve investor certainty in Victorian REZs
 Promoting Victoria as a preferred location for investment

- 
Reduce risks of uncoordinated or unregulated activity
 By providing clear signals on where to build VRE and BESS in Victoria

How the Victorian Access Regime could work in a Renewable Energy Zone



Implementing the Victorian Access Regime

1. Framework for REZ declarations:

The framework for declaring REZs is defined in the *National Electricity (Victoria) Amendment (VicGrid) Bill 2024*.

2. Victorian Transmission Plan:

The Victorian Transmission Plan will identify a set of priority Renewable Energy Zones (REZs) for development.

3. REZ orders: VicGrid will develop draft REZ orders consistent with the Victorian Transmission Plan. Following public consultation on each draft REZ order, the Minister for Energy and Resources may declare an area of Victoria as a REZ.

4. REZ access schemes: Once the Minister for Energy and Resources issues a REZ order, VicGrid will publish a draft access scheme for consultation. This will include the hosting capacity and access limits for different types of variable renewable energy (VRE), eligible VRE projects, access fees and any other access conditions. Following consultation on a draft REZ access scheme, the Minister may establish the REZ access scheme by publishing an order in the Government Gazette.

VicGrid will monitor the status of national access arrangements and will develop an approach to integrate with new national arrangements if agreed to by Energy Ministers. Elements of the Victorian Access Regime that are required to support REZ development – such as access fees for community benefits and the approach to allocate access within REZs – would remain at the discretion of the Victorian Government to maintain, if and when the national reforms take effect.

Next Steps

There will be further consultation on the detailed design of the Victorian Access Regime:

- in mid-2024, VicGrid will consult on the method for calculating efficient network hosting capacity of Victorian REZs;
- in the second half of 2024, VicGrid will consult on the Grid Impact Assessment Guidelines; and
- in addition, each REZ declaration and REZ access scheme order will be subject to consultation as the REZs are developed.

Stakeholders will have the opportunity to comment on the arrangements that apply both within and outside of REZs. VicGrid looks forward to working with stakeholders to develop the detailed design of the Victorian Access Regime.

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