

30 June 2023

Hon. Mick de Brenni MP  
Minister for Energy, Renewables and Hydrogen  
Queensland Government  
Via email: [energybill@epw.qld.gov.au](mailto:energybill@epw.qld.gov.au)

Dear Minister de Brenni,

**RE: Response to Queensland's Energy (Renewable Transformation and Jobs) Bill 2023, Exposure Draft**

Squadron Energy welcomes the opportunity to respond to the Queensland Government's draft legislation to enable the Queensland Energy and Jobs Plan (QEJP).

Squadron Energy is Australia's leading renewable energy company that develops, operates and owns renewable energy assets in Australia. We have 1.1 gigawatts (GW) of renewable energy in operation and an Australian development pipeline of 20GW. Our development pipeline has projects at differing stages of development and includes wind, solar and firming capacity such as batteries and gas peaking plants with dual fuel capability. With proven experience and expertise across the project lifecycle, we work with local communities and our customers to lead the transition to Australia's clean energy future.

We are generally supportive of the draft *Energy (Renewable Transformation and Jobs) Bill* (draft Bill). However, in this submission we would like to raise several points regarding:

- the risk that the proposed public ownership targets for renewable energy investment will crowd out private investment, potentially slowing the decarbonisation of the Queensland energy market;
- areas of clarification regarding the proposed public ownership framework if the more than 50 per cent ownership target for generation is retained beyond the exposure draft, and;
- the importance of clear and transparent processes and requirements for REZ access arrangements and associated costs.

**Proposed public ownership targets will significantly impact the investment mandate in Queensland and will also have implications for the speed of decarbonisation.**

To accelerate the adoption of renewable energy in the NEM it is important for governments to implement policies that address the issue of financial risk for projects. One way to do this is through policies that support contracted revenues, providing certainty to leverage and deploy more private capital. Taking equity positions in renewable assets is another way to accelerate renewable energy uptake. While government ownership of utilities is a legitimate policy decision, the proposed ownership target of more than 50 per cent for renewable generation presents a substantial change, introducing significant uncertainty, to the investment environment in Queensland.

While we understand that this target is proposed to apply across the entire Queensland generation portfolio, rather than on an asset-by-asset basis, there remains significant potential for misalignment between the interests of private investors and government-controlled shareholders. For example, a

business' existing and/or future investments in Queensland may have been committed to on the basis of majority ownership and/or operational control of those assets. Legislating an inflexible requirement of a more than 50 per cent public ownership target risks crowding out private investment at a critical stage of the energy transition. Subsequently, there is the significant risk that including fixed public ownership targets in legislation leads to reduced levels of investment in Queensland, running counter to the core objective of the legislation to 'increase the amount of electricity generated in Queensland from renewable energy sources'.<sup>1</sup>

Given the scale of both government and private funding required to achieve rapid decarbonisation, it is essential that government policy and regulation provides a stable and predictable framework that is sufficiently flexible to respond to a changing market and power system. To achieve this, we consider that the draft Bill could be amended so that the Minister is required to establish and review public ownership targets for each asset class as part of preparing the *public ownership strategy* (POS), rather than setting targets in legislation. This approach would be complementary to the proposed requirement under the draft Bill for the Minister to describe how the targets for each class of asset will be achieved under the POS.<sup>2</sup> In this way, the framework would be more capable of adjusting to changing market conditions and in circumstances where the Minister may need to make judgements in relation to trade-offs between a number of factors in order to meet the objectives of the proposed legislation.

#### **Clarification of how public ownership targets apply to renewable generation is needed**

The draft Bill establishes stated percentages for public ownership for each class of energy asset. In addition, the meaning of public ownership provided in the draft Bill has three arms which indicate public ownership can relate to either: (i) direct asset ownership, (ii) an interest in an entity that owns an asset, and/or (iii) an interest prescribed by regulation held in relation to assets of the class.<sup>3</sup> We are seeking clarification regarding the proposed public ownership framework. In particular:

- **how will the more than 50 per cent ownership targets for renewable generation will be treated and/or defined?** For example, is the target based on total MW capacity or total MWh of electricity generated. This clarity is needed upfront to support investors making informed decisions on the operation of their existing assets and properly account for risks in any future investments.
- **will existing assets be affected and, for new assets too, how will the Government and/or related entities approach asset ownership and operation?** While we understand that the Queensland Government does not envisage compulsory acquisition of assets, we are seeking confirmation on this position and the proposed scope and objectives of its proposed interests in assets (e.g. offers to procure assets and/or government to procure generation via power purchase agreements).
- **will non-government generators be able to access Queensland firming capacity from deep storage assets?** Given 100 per cent ownership targets for deep storage (which is understood to be the two proposed publicly owned pumped hydro plants) firming capacity in Queensland will be largely controlled by government owned entities. It is not clear on what basis that capacity will be made available to market, if at all. We support clarity on whether the output of deep storage assets

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<sup>1</sup> See Part 1, clause (3)(a).

<sup>2</sup> See Part 3, clause 12 (1).

<sup>3</sup> See Part 3, clause 12 (4), definition of public ownership.

will be made available to the market on competitive terms to ensure a level playing field for access to firmed energy.

### **Clarity is needed on how the REZ framework will work in practice**

Squadron Energy supports in-principle the Priority Transmission Investment framework (PTIP framework) and the Queensland Renewable Energy Zone framework (QLD REZ framework). New transmission and REZ network infrastructure is critical to unlocking additional renewable energy capacity and accelerating the decarbonisation of the electricity system. While the QLD REZ framework will help do this in a coordinated way, we are seeking clarity on:

- the treatment of REZ controlled assets -- the draft Bill sets out the ability to block connection to the REZ controlled assets, but it is not clear what this would look like in practice and its implications for how connections and capacity (in and around REZs) are allocated;
- the cost recovery framework for REZ infrastructure -- it's understood that part of the cost of REZ infrastructure will be recovered through access charges. Clarity is needed on what share of costs can be expected to be recovered via access charges and what proportion will then be recovered as prescribed network charges. Clarity is also needed on how decisions around the allocation of these costs will be made (e.g. principles and/or decision-making framework) and whether there are any links to the access regime (e.g. special access rights accrued on the basis of paying for part of the costs of network infrastructure).

We look forward to the opportunity to continue to engage in work to support the rapid decarbonisation of the electricity system. If you would like to discuss this submission please contact Rupert Doney – Director, Regulation and Policy at [rdoney@squadronenergy.com](mailto:rdoney@squadronenergy.com) or on 0450398661.

Yours sincerely,



Alexander Jury, EGM Commercial