Daniel McCracken-Hewson
General Manager, Merger Investigations
Australian Competition & Consumer Commission
Level 17, 2 Lonsdale Street
Melbourne VIC 3000

Dear Daniel,

RE: Brookfield LP and MidOcean proposed acquisition of Origin Energy Limited

ANZ had previously provided a submission to the ACCC in relation to the above-mentioned transaction. We have subsequently noted the report from Frontier Economics dated 9th August 2023 in relation to this matter. From our experience in the renewable energy financing market, ANZ would make the following observations (noting we described our relationship with Brookfield and Origin in prior correspondence).

As a leading institution that has been active in financing the energy sector, ANZ is well placed to provide views on the key enablers of private investment in renewable energy projects.

<u>Contracting Structure & Capacity</u>
Frontier Economics implies that existing government schemes and the corporate Power Purchase Agreement ("PPA") market are sufficient to stimulate adequate private investment in renewable energy generation projects for Australia to achieve its electricity sector emissions reduction targets (without a need for electricity retailer PPAs). ANZ considers that PPAs with electricity retailers are critically important to stimulate sufficient private investment in renewable energy generation and electricity storage projects for emissions reduction targets to be achieved. This is based on the following:

- With rare exception, renewable energy generation projects in the National Electricity Market that have secured commercial bank project financing have had PPAs. A PPA is currently a key requirement for securing commercial bank project financing for these projects.
- A renewable energy generation project may be able to secure equity financing without a PPA, however the absence of project finance debt will result in a materially higher cost of capital. To achieve the required weighted average cost of capital to facilitate the necessary private investment in renewable energy generation, project finance debt will be needed for the vast majority of projects.
- While each of the government schemes mentioned in Frontier Economics' report are welcome developments that have materially improved the investment outlook for renewables, they do not always negate the need for a PPA to secure project financing. For instance, the report references the LTESA scheme as a sufficient mechanism for removing price risk to secure private financing. An LTESA is not a PPA and the NSW Government has made this clear. Although LTESAs are a valuable means of providing protection in an extreme wholesale price downside scenario, we anticipate they will operate in conjunction with PPAs to secure commercial bank project financing.
- Government PPAs such as the VRET agreements and state government-owned corporation PPAs have underwritten significant investment in renewable projects and are expected to continue to do so. However, it is important that electricity retailer PPAs remain available and in fact grow from existing levels – in conjunction with government schemes and corporate PPAs - to stimulate adequate private investment.
- As large electricity retailers retire their coal-fired generation assets, we anticipate they will need to secure PPAs with renewable energy generation and storage projects to hedge their wholesale electricity price exposure and continue to meet their obligations to their customers. On this basis, we expect large investment grade electricity retailers to play a major role in supporting the required investment in renewable generation through PPAs.

Portfolio Financing vs Single Asset Financing

In ANZ's view, there are benefits to financing renewable energy generation assets via a portfolio financing rather than a number of individual single asset financings. These arise principally from diversification of the underlying assets which in turn (and other things being equal) lowers the risk profile relative to a single asset financing. A lower risk opportunity should lower financing costs thereby reducing overall cost of delivery.

Yours sincerely,

[redacted]

Paul Richards
Head of Resources, Energy & Infrastructure
ANZ, Institutional
Email: [redacted]