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National Energy Guarantee

COAG Energy Council

Submissions



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Master Electricians Australia (MEA) is a trade association representing electrical contractors recognised by industry, government and the community as the electrical industry's leading business partner, knowledge source and advocate. Our website is www.masterelectricians.com.au

Master Electricians appreciates the opportunity to comment on the proposed guarantee. Master Electricians, in reviewing the document, has done so based on the experience of what an electrical contractor and or consumer may experience.

Over the last 10 years electrical contractors are increasingly asked to explain, advise and provide advice to businesses and consumers about their power monitoring, consumption, supply and generation. It is apparent that the system has become too complex, over managed, over regulated, overpriced and now inefficient in terms of customer service outcomes and is arguably the most expensive energy supply systems in the world.
<https://leadingedgeenergy.com.au/highest-electricity-prices-world/>

Unfortunately, our view of the energy guarantee consultation paper is that once again the policy of creating a competitive cost-effective system is repeating the same mistakes made in previous policy decisions and putting additional layers of regulation cost and complexity into a market that is struggling under the current burden.

MEA agrees that both emissions and reliability are equally important; however, this must be achieved in a transparent, easily understood process that is not able to be 'gamed' or allow stakeholders to shirk their responsibilities in achieving the objectives of the policy.

It is our view that the system proposed, and the questions asked and their answers will miss some very important key aspects. These being:

1. The system must deliver transparency, trust, confidence and accountability of not only the 116 energy retailers but also the following bodies:

AEMO (Aust Energy Market Operator)
AEMC (Aust Energy Market Commission)
AER (Aust Energy Regulator)
ARENA (Aust Renewable Energy Agency)
CEFC (Clean Energy Finance Corporation)
CER (Clean Energy Regulator)
ESB, (Energy Security Board)

All of whom have a role in the Energy Guarantee discussion paper.

2. The system should not add additional cost, administration and overhead that will raise the cost of power, or absorb any net benefit that might be gained and that a proper regulatory impact statement must be undertaken.

In addressing the views of stakeholders to the questions raised we make the following responses:

REPORTING TIME LINES

The timing of reporting whether yearly or at the end of the financial year does not matter, reporting should be consistent across all RET, emissions and reliability reporting. Financial accounting may impact on reporting of RET, emissions and reliability so it may be advisable to spread reporting to either March or September of each year to allow participants to manage

workload of different departments. We would not recommend a December or January time period for obvious reasons. March and September may also present an opportunity with lower than peak demands running in those quarters.

CALCULATION OF LOAD

Calculation of load should include all load regardless of destination or EITE status. This gives a true indication as to the Market load availability and thus provides transparency as to which companies have the largest load. EITE industry loads can be identified and accounted for however, for transparency all load should be reported.

CALCULATION OF EMISSIONS

It is unclear from the paper why an emissions source is unable to be determined. Given the move from 30 minutes to 5-minute trading in 2020, the tracking of hedge contracts and the reliability element of this discussion paper, it is hard to understand how such information could not be known for a generator or retailer when purchasing. Most retailers can advise customers of their emissions consumption in a quarterly statement, it's difficult to see how this could not be done for the regulator. If multiple sources are used for a specific consumption of MWH in a contract that does not identify a generator source, then a simple calculation based on the known emission per MWH of each source proportioned to the total used should result in a simple calculation of emissions which should be accurate enough for said purposes. If a generator cannot identify a source then the highest emissions should be assumed, this then incentivises generators and retailers to monitor appropriately.

Given the processes, statements and issues raised in the energy reliability part of the paper we also see confusion and the ability for 'gaming' to occur based on deferrals and over compliance. It is not obvious within the paper how the emissions and reliability elements will interact, and which will take priority in the event there is a competing demand between the two outcomes.

In terms of limiting a contract that sets an Emission rate but not a source, this again opens the way for generators and retailers to start introducing uncertainty in their reporting. Retailers must be held to account for their emission and the reliability of power supply. Allowing contracts to be developed that are not measurable and accountable will only lead to confusion and gaming of the system. It also reduces the ability for the regulator to conduct audits and test the veracity of the claims made by energy market participants.

GENTAILERS

A gentailer that does not have a contract in place due to vertical integration is irrelevant to the exercise of the emissions calculation. The retailer must declare such generation usage and the relevant emissions produced. The regulator must initiate mechanism/proof for measurement of the generation. If there is no contract in place, then a memorandum of intent / declaration by gentailers should be produced as a binding document on the gentailer so as to be accountable to the regulator.

UNHEDGED LOAD

Again, accountability is key, if a retailer decides not to hedge a load and cannot prove its emission then the highest level of emission should be associated with that load. This reduces the ability for gaming and creates the incentive to develop appropriate monitoring and recording of unhedged loads.

COMPLIANCE OVERACHIEVING AND DEFERRING

These sections cause us greatest concern, whilst the paper identifies that being flexible “could minimise” instances of noncompliance it is more likely to encourage noncompliance and to test the resolve and systems of compliance, thus increasing compliance costs in the longer term. This area is also not detailed on how it would interrelate with the reliability guarantee as these overs and unders may be played off or explained as being in compliance with the reliability guarantee, clouding the transparency of where the Nation is up to in accordance with the Paris 2015 Accord. It may be advisable to allow a variation of no more than 10% in any given year, however, when paired with the 10 periods of targets for emissions and what we see as a complimentary 10-year period for reliability it is not outside a normal expectation that companies operate within a well-defined set of expectations. If AMEO and others get their modelling and targets right retailers and their shareholders will be very much aware of the expectations, if they fail then they should be held to account. This then holds AEMO accountable for setting and monitoring the targets in both areas.

OFFSETS

Offsets are a valuable tool in energy consumption however in terms of the Energy Guarantee their use should be limited. EITE consumers who have a dispensation should be encouraged if not required to enter into offsets equivalent to their energy emission production, however, for retailers and generators off sets should be limited. Off sets if used, and we say that they should not be used in this market, should be set as a percentage of the retailer’s overall size. This means that there is no competitive advantage based on retail size. This approach also negates any corporate structure to split companies into small entities to gain a great proportion of their emissions to be done via offsets.

VOLUNTARY GREEN PROGRAMS

The question required to be asked here is does a VGP continue to have effect now that a reliability guarantee is being developed? The reliability guarantee will set the required green low emission generation required to achieve the Paris Accord, the market forces over the next 10 years will assist in making VGP more affordable and therefore more attractive; however, it is still generation and part of the overall emission and reliability guarantee. As such this can be left to a retailer program and reporting to the market in terms of overall generation and does not need to have recording or exemption.

REPORTING AND COMPLIANCE

MEA believes that a compliance system is required, due to the equal importance of both emission and reliability targets. This is an issue of the greatest public interest and as such all data should be available to the public including AMEO targets for generation, and annual return from all retailers as to their compliance with their targets.

ENFORCEMENT TOOLS

MEA believes that whilst the list of tools is appropriate in a practical approach we foresee that noncompliance may well take 10 years; including for the enforcement of suspending or revoking an authorisation. If that occurs Australia’s national security is put in doubt. We cannot have a situation whereby community, industry and consumers are left high and dry.

JURISDICTION

We have seen in a national energy market that State Governments of different political persuasion will do in many cases what is politically expedient. As such it is necessary to consider how and when states can intervene into the energy guarantee or what policies can or cannot be considered and how this effects the overall policy outcome. Does this then mean

that once the energy guarantee is entered into that like the GST percentage it would take 75% of the States Premiers to agree on how and when to change it.

EMISSION REQUIREMENTS

MEA would support the methodology as suggested in the emission per MWH being used as the basis. We agree with the timing and process for setting the emissions target into the future. We are concerned that jurisdictional variances will affect the operation of the scheme, we suggested that the COAG Minister agrees on the energy guarantee and that local renewable targets are aligned so as to remove state centric decision making which may in fact put in jeopardy improvements in emissions in other states or result in some states letting others do the heavy lifting based on political expediency.

RELIABILITY GAP

MEA agrees with AEMO forecasting the reliability gap/need. We do foresee a major advantage in aligning the emissions and reliability reporting and target setting timeframes. To have both targets set with a 10 year timeframe which is reviewed every 5 years. This would give clear indication to the people of Australia of our requirements under the Paris Accord and that our energy needs will be met moving into the future.

The reliability gap may benefit from more regular reporting as described as near-term targets in the paper we believe that AEMO could set the targets with a relative confidence factor that would also assist in making investment decisions by the market, obviously these confidence factors would be more accurate the shorter the time period.

MEA also believes that should AEMO need to step in and procure energy to sure up reliability, then the penalty for retailers would be equivalent to two times the cost of planning, building and commissioning the required infrastructure built as a last resort. This would ensure that retailers participating in the market make investment decision appropriate for the market.

MEA agrees with the intent of the energy guarantee however clear accountabilities need to be met. We believe that the COAG Energy Council must come together and ensure that the energy guarantee is a bipartisan document. The guarantee must be delivered and must hold each participant accountable in its delivery. Australian consumers and electrical contractors are suffering from over regulation, uncertainty and higher costs. This must be addressed and resolved as soon as possible.



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