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25 July 2022

Anna Collyer
Chair
Energy Security Board

Dear Ms Collyer

Submission to the Energy Security Board Post 2025 Market Design Capacity Mechanism Consultation Paper

Climate Action Network Australia (CANA) welcomes the opportunity to participate in the submission process for the design of the Capacity Mechanism for the post 2025 market. CANA is a member based organisation made up of over 150 climate-focused civil society organisations advocating for Australia's rapid transition to zero-emissions across various sectors, including the energy sector.

In order to achieve Australia's national and international emissions commitments, a number of authoritative agencies such as the United Nations and the Australian Energy Market Operator's (AEMO) 'Step Change Scenario' have identified the need for a rapid and orderly exit of fossil fuel based electricity generators from the electricity market. Further, the recent energy crisis and associated rising cost of energy for consumers has demonstrated that the energy market as it is currently designed, specifically, its reliance on fossil fuels based generators is no longer fit for purpose. The intervention by AEMO to suspend the National Energy Market is a clear indication that fossil fuel generators have failed to provide reliable and affordable energy to its customers, leaving many communities and households vulnerable during a cold and rainy winter.

In light of the concerns raised above, CANA makes the following recommendations to the Energy Security Board;

1. Conduct a 'cost benefit' analysis of the capacity mechanism on consumers as the current and continued presence of fossil fuel generators in the National Energy Market could cost households [\\$182-\\$430](#) on average per annum;

2. Broaden the policy options that are available from just a capacity mechanism to the Energy Security Board to meet the 82% renewables target by 2030;
3. The design of the capacity mechanism must exclude any existing or proposed fossil fuel electricity generators . A capacity mechanism that relies on fossil fuels serves only to prolong their life, undermining the National Energy Market due to their continued unreliability. Any payments to the fossil fuel based generators as part of the future capacity mechanism is essentially a subsidy to the industry that needs to be retired in an orderly and rapid manner;
4. Consider using renewable energy generation together with massively increased renewable storage capacity to address any projected energy shortfalls in the National Energy Market. The latest modelling by AEMO together with CSIRO ([GenCost 2022](#) report) has found that wind and solar combined with battery storage are by far the most affordable means of producing electricity compared to fossil fuels.

As noted above, international and national authorities including the Federal Government have identified the need for rapid and orderly transition to renewable energy if we are to stay within the scientifically determined 'safe' climate threshold. The Energy Security Board has a significant role to play in helping to achieve this with the proposed redesign of the National Electricity Market.

We look forward to working with the Energy Security Board on the redesign of the Electricity Market.

Sincerely,

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Strategist - Climate and Energy, Policy and Politics

Climate Action Network Australia