



25 July 2022

Energy Security Board
Level 15
60 Castlereagh St
Sydney NSW 2000

Submitted via email: info@esb.gov.au

Dear Energy Security Board,

Capacity Mechanism – High-Level Design Paper

The union has noted the ESB's invitation to make comments or provide a submission in response to this Paper and takes this opportunity to do so.

The Mining and Energy Union is part of the Construction, Forestry, Maritime, Mining and Energy Union, the major trade union in the industries of its title. The Division represents approximately 20,000 workers in Australian mining – especially coal mining – and in power generation – especially coal power generation.

The union is broadly supportive of the development and implementation of a capacity mechanism subject to the following comments.

The Paper states at page 17: "For the avoidance of doubt, the purpose of a capacity mechanism is not to extend the lifespan of ageing coal generators" and then goes on to explain that coal-fired generators are inherently not designed as a complement or back-up to variable renewable energy.

It is agreed that coal generators have more difficulty operating flexibly, and that the economics of coal power technology do not suit acting as a back-up to other energy technologies.

The Paper states as page 3: “Ensuring investment in an efficient mix of variable and firm capacity that meets reliability at the lowest cost by facilitating or complementing the orderly retirement of ageing thermal generation.”

Further, at page 39 it is clear that investment support will only be for new capacity and that such capacity procured “will be consistent with the NEM’s transition to net zero emissions.”

Thus, while the paper says it is technology-neutral (e.g. pages 4, 19 and 68) it is clear that the proposed design is not seen as prolonging the life of coal generators.

The orderly retirement of coal generators is the point is of most concern to this union. The union acknowledges that coal power generation is already in significant decline in Australia, that all current generators have closure dates, and that the most recent AEMO Integrated System Plan projects that much coal power generation will close before their official retirement dates.

The proposed capacity mechanism by itself does not constitute a process of orderly retirement for coal generators. That issue seems to be beyond the scope of the Design Paper because it is drafted within the context of the National Electricity Objective, which does not provide for social justice or equity considerations, including for the workforces and communities that host the coal generators. The NEO, as referenced on page 4, also does not include consideration of GHG emissions constraints but that has not prevented the ESB listing emissions reduction as one of the five assessment criteria. The ESB has included emissions reduction as a criteria because state and federal governments have policies with respect to that. That failure to integrate social justice and equity concerns into the NEO has been in part responsible for lack of progress on emissions reduction does not appear to trouble the ESB.

It is recommended to the ESB that integrating social justice and equity concerns be considered essential in facilitating the very large change program that the ESB envisages in the power sector. Ideally the ESB should be directed to include them but even in the absence of government direction it should be seen as essential to achieving the mandate that ESB has been given.

More broadly, the union will argue in all available fora that there must be a just transition for workers and communities that will be adversely affected by coal power closures. The transition to a net zero economy and world must be seen as primarily a socio-economic policy rather than only a technical and financing exercise (as difficult as the latter may be). It is a fundamental goal of just transition that no one be left behind; that the burden as well as the benefits of emission reduction be

shared equitably. At a pragmatic political level it is the absence of just transition; the absence of an explicit priority to the social impacts of emissions reduction policies, that has limited progress to dates on emissions reduction because it has allowed, if not facilitated, action on emission reduction being perceived as creating losers as well as winners.

The proposed capacity mechanism will play a role in facilitating the “orderly retirement of ageing thermal generation”, but we need much more to achieve that fairly and equitably.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tony Maher', written in a cursive style.

Tony Maher
General President