



7 February 2023

Energy Ministers

Submitted via email: netp@industry.gov.au

Dear Sir/Madam

Submission: Incorporating an emissions reduction objective into the national energy objectives

CS Energy welcomes the opportunity to provide a submission to the *Incorporating an emissions reduction objective into the national energy objectives* consultation.

About CS Energy

CS Energy is a proudly Queensland-owned and based energy company that provides power to some of our state's biggest industries and employers. We employ almost 500 people who live and work in the Queensland communities where we operate. CS Energy owns and operates the Kogan Creek and Callide B coal-fired power stations and has a 50% share in the Callide C station (which it also operates). CS Energy sells electricity into the National Electricity Market (**NEM**) from these power stations, as well as electricity generated by Gladstone Power Station for which CS Energy holds the trading rights.

CS Energy also provides retail electricity services to large commercial and industrial customers throughout Queensland and has a retail joint venture with Alinta Energy to support household and small business customers in South-East Queensland.

CS Energy is creating a more diverse portfolio of energy sources as we transition to a new energy future and is committed to supporting regional Queensland through the development of clean energy hubs at our existing power system sites as part of the Queensland Energy and Jobs Plan (**QEJP**).

Key recommendations

The decision by Energy Ministers in August 2022 to introduce an emissions reduction objective into the national energy objectives requires amendments to the three overarching laws which pertain to the governance of energy markets, namely the:

- National Electricity Law (**NEL**);
- National Gas Law (**NGL**); and

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- National Energy Retail Law (**NERL**).

These laws set out the statutory powers for the Australian Energy Market Commission (**AEMC**) as the rule-making body for the three national energy markets. The associated rules governed by the AEMC are fundamental to the effective and efficient operation of both the physical and financial markets. Given the importance of the energy laws and rules, CS Energy restricts its comments to the legal drafting of the legislation, the structure of which is crucial for optimal consumer outcomes.

Regardless of the subject when words are realised in legislation meaning is attributed to them. Thus, if there is any ambiguity, unintended consequences will ensue, the ultimate costs of which will be borne by consumers.

CS Energy is concerned with the proposed legal drafting of the legislation and believes it will create ambiguity for the energy market bodies as well as market participants. This may also have unintended flow-on impacts on investment. The energy laws and rules are very specific about what is being regulated; in the case of the NEM they focus on the physical grid and wholesale electricity market. The proposed drafting, in CS Energy's opinion, clouds these objectives.

Consider the National Electricity Objective (**NEO**) which as currently stated in the NEL is "*to promote efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity with respect to:*

- *price, quality, safety and reliability and security of supply of electricity*
- *the reliability, safety and security of the national electricity system."*

Part 2 of the National Energy Laws Amendment Bill seeks to insert clause (3)(c) as the third prong of the NEO to reflect the emissions reduction objective. This clause is much more detailed and specific than the above objectives referencing public commitment on emissions reduction, as well as Commonwealth, State or Territory targets and policies. The consultation paper states that "*the emissions reduction objective is not intended to sit above or be prioritised over the existing components within the objectives*"¹ but it is difficult to see how this would not be the case. The emissions reduction objective is very convoluted, too specific, and inconsistent with the form of the existing objectives. This specificity implies priority as it potentially establishes the optics that emissions reduction is more important than power system security for example.

CS Energy also does not agree with the proposed change from "consumers of electricity" to "consumers of energy" (clause 4(1)). While the intent of the change is appreciated, CS Energy is concerned that it will increase ambiguity as it is unclear how it can be practically implemented. For example, does a gas consumer need to be taken into consideration on generation connection processes, and if so, how can that be achieved practically. Given the NEL, the NER and NEO provide the regulatory framework for the electricity sector alone, it is unclear how consumers of markets that aren't directly regulated by these laws and rules can be incorporated.

CS Energy considers that any emissions reduction objective needs to be consistent with the current objectives in its form. A high-level principal statement should be considered. For example, *to facilitate emissions reduction and the transition to a carbon neutral national grid*. This will remove any potential ambiguity and subsequent inadvertent consequences in

¹ Consultation Paper, *Incorporating an emissions reduction objective into the national energy objectives*, 20 December 2022, p.2

how this objective will be implemented by the market bodies. The details that are currently proposed are best encapsulated in the explanatory notes of the relevant Laws. CS Energy believes this approach will lead to better market and consumer outcomes while still achieving the intentions of the Energy Ministers.

If you would like to discuss this submission, please contact me on 0407 548 627 or ademaria@csenergy.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. Demaria', with a long horizontal flourish extending to the right.

Dr Alison Demaria
Head of Policy and Regulation