



Electrical Trades Union

# ***NATIONAL ELECTRICITY OBJECTIVE REFORM***

**FEBRUARY, 2023**

ETU proposal to reform the NEO in line with the principles of a Just Transition



10 February 2023

Electricity Division
Market Reform Branch
Department of Climate Change, Energy, the Environment and Water

By Email: netp@industry.gov.au

RE: Consultation on proposed legislative changes to incorporate an emissions reduction objective into the national energy objectives

About the ETU

The Electrical Trades Union of Australia ('the ETU') is the principal union for electrical and electrotechnology tradespeople and apprentices in Australia, representing well over sixty-thousand workers around the country.

ETU members make up a critical pillar of the licensed electrical workforce responsible for delivering the Australian Government's commitments on delivering a more efficient, affordable, and emissions-free energy network. We look forward to consulting with the Department to ensure a just transition that delivers broad social and economic benefits to workers and communities while maintaining and expanding upon the high standards and quality conditions that our members in the energy industry have achieved.

Acknowledgement

In the spirit of reconciliation, the ETU acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all First Nations peoples today.

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1 Being a division of the CEPU, a trade union registered under the Fair Work (Registered Organisations) Act 2009 (Cth).

## *Consultation Issues*

The ETU would like to first express disappointment at the Department's approach to consulting on these reforms thus far. Energy Ministers first agreed to fast track the introduction of an emissions reduction objective into the national energy objectives on August 12, 2022. Despite repeated representations to both the Department and the Minister for Climate Change and Energy expressing our interest in being consulted on this reform, there was no such engagement until 5 days before Christmas.

The ETU is the only national industry body with oversight of the electrical industry from generation right through to retail usage. We find it concerning that the Department has developed this proposal absent any direct engagement and opened the consultation period almost exclusively over the holiday break.

## *Structural Flaws in the NEO*

For too long Australia's energy challenges have been incorrectly framed as a trilemma, that is, a balancing of choices between three unfavourable options. It is time for reform to deal with Australia's transitioning energy system by instead pursuing mutually positive outcomes across the three key elements of energy security, social impacts, and environmental effects.

The National Electricity Law contains a National Electricity Objective (NEO) which purports to apply "economic efficiency in the long-term interests of consumers". But the wording has been too narrowly interpreted and has too narrowly constrained important considerations of the energy sector's important role in emissions reductions, the increasing impact climate change is having on system resilience, and that the fact the construction and operation of the electricity system makes an incredibly important contribution to the Australian economy more broadly.

## *Our Proposal*

Whilst we are supportive of the reforms proposed, given the deeper structural issues with the application of the NEO and its capacity to limit the equitable administration of a truly just transition to a net-zero economy it is the position of the ETU that these changes are deeply inadequate.

**The National Electricity Objective (NEO) must be reformed to ensure the electricity system delivers against three fundamental elements:**

- **Protecting the interests of consumers by delivering affordable, reliable, and secure electricity supply**
- **Meeting Australia's decarbonisation objectives while ensuring climate resilience**
- **Achieving social licence by delivering broader social and economic benefits**

Broadening the NEO to include consideration of both climate and broader social/economic goals would address many of the current barriers and impediments that the energy sector faces in dealing with the transition to renewable energy. Further, a change to the NEO does not prevent or impede the Minister from seeking further reforms should they be identified. That is, a change to the objective would not prevent any restructuring of regulators or the energy market should such a change be made.

Additionally, this proposal to amend the NEO would strongly support the implementation of

the Government's Powering Australia Policy by harmonising Federal Policy with State and Territory Policy as well as through the removal of significant barriers currently being experienced in the energy transition.

### *Harmonising with States & Territories*

A reform to the National Electricity Objective as outlined above would be an important step towards harmonising energy policy across the country. Over the past decade states and territories have developed and implemented their own distinct energy policy programs and frameworks. By example:

**NSW's** *Electricity Infrastructure Investment Act 2020* specifically calls out supply chain, local jobs and training opportunities as an objective of its energy transition plan, balanced against the interests of electricity consumers.

The **Victorian** Government's *VRET2* policy program also centres employment, training and broader community benefits in its energy transition work while delivering affordable electricity for consumers.

The **Queensland** Government's *Powering Queensland Plan* aims to deliver stable energy prices, ensure long-term security of electricity supply, transition to a cleaner energy sector and create new investment and jobs.

**In fact, every single state and territory energy policy program includes the three elements outlined above.**

### *Barriers to a Just Transition*

The existing interpretation of a narrow economic test presents a barrier to every single effort to decarbonise the energy sector in a way that delivers community support, social licence, and broad economic benefit.

Transmission companies cannot get new transmission construction approvals or modify projects to address or avoid social licence issues which may arise. Renewable energy generation cannot connect to the grid and when they do, they are often curtailed. Investment programs are uncoordinated and do not seek to maximise national economic benefits, both in terms of the supply chain as well as in terms of jobs, skills and training.

Victoria amended their adoption of the NEL to introduce an economic benefit test to their regulatory investment test. Similarly, NSW changed their approach for transmission approvals in REZ's to avoid the constraints imposed by the unnecessarily limited application of the RIT-T, which is caused by having to apply the test through the lens of the narrowly defined and interpreted NEO. Queensland's transmission company Powerlink has given up trying to get projects approved via the NEO constrained RIT-T and simply seeks alternative funding models so they can get on with the job.

Desperately needed distribution upgrades, needed to allow for two-way power flow, are hopelessly delayed by the same narrow economic benefit test being applied in the RIT-D process. Hundreds of thousands of rooftop solar systems are partially curtailed or entirely prevented from exporting their energy due to the distribution system being unable to accept two-way power flows.

Regulatory determinations which set network companies five yearly budgets are backwards looking, failing to anticipate the network construction and augmentations needed to manage the energy transition especially as the transition to renewables, electric vehicle take up and distributed storage accelerates.

Assessing regulatory determinations and transmission and distribution projects against a new NEO containing the 3 elements outlined above would fundamentally change the focus of the energy sector, allowing it to plan for and deliver the energy transition reforms while ensuring efficient expenditure and investment remained a central principle of all regulatory decisions.

### *Conclusion*

The ETU is not opposed to amending the NEO, including in the manner proposed by the National Energy Laws Amendment (Emissions Reduction Objectives) Bill 2023. However, we maintain that tinkering at the edges in this way will fail to address systemic and structural issues contributing to the failure of the existing national electricity market to decarbonise.

We would encourage the Government to consider a more ambitious approach to modifying the National Electricity Law to ensure delivery of a network that is safe, clean, fit for purpose, and provides the broad economic benefits and the rapid decarbonising pathway the Australian community should be receiving from our essential electricity assets.

Neither the urgent need for climate action or the Government's bold and necessary Powering Australia Plan will be assisted by incrementalism.

### *Draft Amendment*

Below is a very preliminary concept draft of an amended objective – it is provided only as a concept for discussion and does not represent a firm view of the ETU as to any final wording.

*“to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of the Australian community by having regard to:*

- price, quality, safety and reliability and security of supply of electricity for electricity consumers,*
- meeting Australia's decarbonisation objectives and ensuring climate resilience, and*
- delivering broad economic benefits by supporting social licence, maximising the use of locally produced and supplied goods and services, providing secure employment as well as training and apprenticeship opportunities in the electricity sector”*