



Submission to the Incorporating an Emissions Reduction Objective into the National Energy Objectives Consultation Paper

Tuesday 7 February 2023

Contact:

Andrew Bray
National Director, RE-Alliance
andrew@re-alliance.org.au

About RE-Alliance

RE-Alliance is working to secure an energy transformation that delivers long-term benefits and prosperity for regional Australia. We do this by listening to the needs of communities most impacted by the transition, facilitating collaboration across the renewables industry to deliver social outcomes and advocating for meaningful benefits for regions at a policy level.

We thank energy market officials for the opportunity to comment on the Incorporating an Emissions Reduction Objective into the National Energy Objectives Consultation Paper.

RE-Alliance supports the proposed changes to the National Energy Objectives. It has been a deficiency particularly in the National Electricity Objective over the last seventeen years since the introduction of the National Electricity Objective in 2005 that the environment and climate change couldn't be considered by energy market officials in a range of contexts including Australian Energy Market Commission (AEMC) Rule Changes and Reviews. It also constrained the Australian Energy Regulator (AER) and the Australian Energy Market Operator (AEMO) in its activities to some extent e.g the development of the Integrated System Plan.

We note that the Consultation Paper asks 21 specific questions. We do not respond to them all individually, however note our strong support for the reform and make the following general comments:

- RE-Alliance supports inserting the emissions reduction objective into the existing 'economic-efficiency' framework and we agree that this will enable the energy market bodies to consider emissions reduction alongside the other limbs of the NEO - price, quality, safety and reliability and security of supply of

electricity (and gas for the National Gas Objective (NGO)) and the reliability, safety and security of the national electricity system..

- We consider that officials within the energy market bodies will be able to balance the different components of the framework as they do now after it is expanded.
- The AEMC should update its publication “*Applying the Energy Market Objectives*” with reference to the revised NEO.
- With regard to Section 7(c) (ii) (C) that states that the definition also includes other targets for reducing Australia’s greenhouse gas emissions including those “stated publicly as a matter of policy by the Commonwealth, a State or Territory”, this would be in addition to those commitments stated in a law or in an agreement. We note that this would likely change the way energy market bodies currently consider commitments. For example, AEMO, when preparing the Integrated System Plan and the Inputs and Assumptions that underlie it, considers international treaties, and firm commitments such as State Renewable Energy Targets, but it does not include Government policy commitments which have no substantive policy mechanisms to achieve those targets. For example the current State economy-wide emission reduction ambitions aren’t included in any of the IASR scenarios. AEMO comments that “implementation details by sectors need to be developed further to provide the clarity to allow them to be included in AEMO’s optimisation models”.¹
- It may be difficult for AEMO to model various Government commitments whilst they remain in an early stage of policy development.
- We consider that many of the rule changes and reviews conducted in recent years may have had additional or different outcomes had an environmental objective been included in the NEO. This particularly applies to demand response and energy efficiency initiatives. It would, however, be too difficult to re-open all these rule changes and reviews. We agree with officials that the changes should apply to new rules, reviews and policy documents going forward.
- We also agree that energy market bodies should be given a broad direction to apply the amended objective where they consider it is appropriate/feasible.
- Regarding the Integrated System Plan and the associated Inputs, Assumptions and Scenarios Report (IASR) we consider that including an emissions reduction objective in the NEO would strengthen the case for AEMO to model scenarios which are consistent with 1.5°C and not the range of scenarios with up to 2.6°C of warming as modelled in the current Draft 2023 IASR.
- We agree that a commencement date six months after passage through the South Australian Parliament is appropriate (and would support an earlier commencement if that is seen as possible by officials).

¹ AEMO (2022) Draft Inputs, Assumptions and Scenarios Report p. 28 available at: https://aemo.com.au/-/media/files/stakeholder_consultation/consultations/nem-consultations/2022/2023-inputs-assumptions-and-scenarios-consultation/draft-2023-inputs-assumptions-and-scenarios-report.pdf?la=en