



9 February 2023

Kirsty Gowans
Head of Electricity Division
Department of Climate Change, Energy, Environment and Water
51 Allara Street
Canberra, ACT 2600

Lodged via email to netp@industry.gov.au

Re: **Response to Incorporating an emissions reduction objective into the National Energy Objectives**

Dear Kirsty:

Tilt Renewables welcomes the opportunity to make a submission to the above Position Paper ("Paper") as part of our continuing engagement with DCCEE.

Tilt Renewables is committed to continue playing a lead role in accelerating Australia's transition to clean energy. Tilt is one of the largest owners and operators of wind and solar generation in Australia with 1.7 GW of renewable generation capacity across ten operating (or under construction) wind and solar farms. In addition, Tilt Renewables has a development pipeline of over 5.0 GW of wind, solar and storage projects.

Executive Summary

- Tilt Renewables strongly supports addition of an emission reduction objective to the National Electricity (and Gas) Objective and congratulates Energy Ministers for taking this decision last year.
- Tilt Renewables commends the Department for their excellent work on the draft legislation. The only suggestion we would make is to avoid complicating processes by forcing consideration of the gas market for processes in the electricity market (and vice versa).
- Tilt Renewables considers that the revised NEO is important enough that it should be effectively implemented more quickly. As explained in our detailed responses, we suggest the default position should be that processes underway should consider the revised NEO with a process for waivers if this is too onerous.

Our detailed responses appear on the attached response template.

Thank you for the opportunity to comment on the Paper, and we look forward to continuing discussions with the Department on these issues. Please feel free to contact jonathan.upson@tiltrenewables.com should you have any questions or wish to discuss any aspect of this submission.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Jonathan Upson".

Jonathan Upson
Head of Policy & Regulatory Affairs
Tilt Renewables



Incorporating an emissions reduction objective into the national energy objectives – stakeholder feedback template

This template has been developed to assist stakeholders in providing feedback on the *National Energy Laws Amendment (Emissions Reduction Objectives) Bill 2022* (Draft Bill).

Chapter 3: Approach to incorporating an emissions reduction objective

Question 1: Do you consider incorporating the emissions reduction objective into the existing 'economic-efficiency' framework is an effective way of integrating the concept into the decision making of energy market bodies?

Feedback 1: Tilt Renewables considers this to be the appropriate framework.

Question 2: Is the current level of discretion afforded through an 'economic efficiency' framework appropriate for balancing an emissions reduction component against existing components of the energy objectives?

Feedback 2: Yes, we consider the current level of discretion to be appropriate.

Question 3: Do you consider that, for certain instances/processes, market bodies should develop/update guidance material to assist market participants in understanding how market bodies will interpret the proposed revised national energy objectives?

- a) What are these instances/processes and what sort of content would you want to be included in this guidance?

Feedback 3: We consider such guidance could be helpful; however, we suggest that such guidance be undertaken in collaboration with market participants and other stakeholders.

Section 3.3 Reference to Australia's greenhouse gas emissions reduction targets

Question 4: Does this approach give an appropriate level of clarity as well as discretion to market bodies to consider relevant targets in their decision making? If not, detail your reasons and suggested solutions.

Feedback 4: We consider this approach to be appropriate.

Question 5: Does the inclusion of 'public commitments' including 'publicly as a matter of policy,' as well as legislated targets, provide sufficient certainty for effective consideration of an emissions objective by market bodies?

Feedback 5: We consider this is sufficiently clear.



Section 3.4 Amendments to acknowledge interactions between electricity and gas markets and enable management of transition impact

Questions on 'consumers of energy'

Question 6: Do you agree that the proposed change to 'consumers of energy' is necessary and appropriate to recognise the interconnections between the two energy markets and to enable future decisions to consider the implications for the energy system as a whole?

Feedback 6: Tilt Renewables does not agree with the proposed changes from supply/consumers of 'electricity' to 'energy' for several reasons. Balancing price, quality, safety, reliability, security of supply and now emission reductions in the electricity market is challenging enough without adding similar consideration of all of these issues for the gas market. Consideration of two very different markets for every rule change, RIT-T and similar processes will significantly complicate and delay completion of these already long processes for little apparent benefit.

The paper makes the point that gas is not acknowledged as a transition fuel in the NEL or NGL. Tilt Renewables is not disturbed by this lack of acknowledgement. This is partly due to the need to accelerate electrification of Australia's economy. As stated several times in AEMO's Integrated Systems Plan, there is an accelerating focus on electrification of the economy which is widely considered to be necessary for the country to meet the Government's legislated emission reduction target.

While the gas and electricity markets are interrelated, peaking generators powered by gas are part of the electricity network, and therefore the impact of rule changes and other processes on these generators can still be considered in relation to consumers (and supply) of electricity. The rule change and RIT-T processes, now required to consider reducing greenhouse emissions, should not need to also consider whether changes might somehow disadvantage the burning of a fossil fuel that increases global warming.

Tilt Renewables respectfully requests that the wording revert to consumers of electricity, rather than consumers of energy.

Question 7: What impacts (positive and/or negative) would the proposed change have on your organisation or your stakeholders/customers?

- a) What are these instances/processes and what sort of content would you want to be included in this guidance?
- b) Do you foresee any unintended adverse consequences coming from such a change, especially for market participants or consumers?

Feedback 7: Tilt Renewables considers this change to be long overdue and that it will have a beneficial impact on reducing greenhouse gas emissions. In addition, the change will facilitate meeting Federal and State Government emission reduction targets.

Questions on 'supply of energy'

Question 8: Do you consider the additional change to 'supply of energy' is necessary given the reasons above?



Feedback 8: No, Tilt Renewables considers the existing wording---'supply of electricity' should be maintained for the reasons cited in Feedback 6.

Question 9: Do you agree that the market bodies, when making a decision under the NEL/NER should be empowered to consider the implications for price, reliability, security etc. in the gas market and vice versa? If not, what are other ways of managing the potential implications of the transition on all energy consumers?

Feedback 9: No, Tilt Renewables does not agree for the reasons provided in Feedback 6.

Question 10: Do you foresee any unintended adverse consequences coming from such a change, especially for market participants or consumers?

Feedback 10: Tilt Renewables considers there will likely be adverse consequences of such a change as desirable reforms or processes to the electricity market could be thwarted by gas market participants' arguments about how they (and perhaps their customers) are disadvantaged by the proposed change.

Section 3.6 Commencement and transitional arrangements

Question 15: Do you agree with the proposed Proclamation date being six months after passage through the South Australian Parliament?

Feedback 15: If it was practical to have this time period reduced to 3-5 months, it would be desirable.

Question 16: What are your views on the proposed transitional arrangements in the Draft Bill?

- a) Are there particular processes that should be subject to different transitional arrangements?
- b) How or where should arrangements for these specific processes be prescribed – in the primary legislation or through a subordinate instrument?

Feedback 16: Tilt Renewables considers that the proposed transitional arrangements will result in the revised NEO not taking practical effect until 2025, 2026 or even later as all processes underway do not have to consider the revised NEO. One might surmise the Energy Ministers had a faster implementation in mind.

Question 17: What already-commenced regulatory processes under the energy laws or rules might benefit from transitional arrangements that provide for the emissions reduction component to apply (i.e. automatically and not be subject to market body discretion)?

- a) Should business-initiated processes such as RIT-Ts and RIT-Ds be captured, rather than just market body processes?

Feedback 17: See Feedback for item 18.



Question 18: Should market bodies be afforded a broad discretion to decide when to apply the amended objective to a process that is ‘underway’?

Feedback 18: As the change to the NEO was announced by Energy Ministers in August 2022, and it is unlikely the Proclamation Date will not occur much before mid-2024, the market bodies and stakeholders of the various processes underway will have had many months to consider the ramification of the revised NEO. Therefore, a default position that the revised NEO need not be considered for processes underway is not appropriate or desirable.

Tilt Renewables proposes that the transitional arrangements should be as follows:

The default position for all underway processes is that the consideration of the revised NEO is required. Should the market bodies and/or participants in a process believe that consideration of the revised NEO is too onerous, they could publicly apply to the AER for a waiver. For example, a 3 year long RIT-T process that is 90% completed, could apply for a waiver on the basis that consideration of the revised NEO would require new economic modelling setting back completion of the process by six months. The AER could then reasonably grant such a waiver. In this way, the revised NEO is effectively implemented much sooner without causing unreasonable imposts and delays on processes underway.

Question 19: Are there logical points in multi-stage and/or multi-year processes (e.g. RIT-T and RIT-D assessment processes and revenue determination processes/resets) after which the emissions reduction component should or should not be able to be applied?

- a) Should a RIT-T process be considered ‘underway’ when a project specification consultation report has been made available (clause 5.16.4(c)), or at a different stage?
- b) Should a RIT-D process be considered ‘underway’ when an options screening report or determination has been published (clause 5.17.4(b)) and (c), or at a different stage?
- c) Electricity – should a revenue determination/reset be considered ‘underway’ when the network service provider has submitted its initial revenue proposal (clause 6A.10.1 for transmission and clause 6.8.2 for distribution), or at a different stage?
- d) Gas – should a gas access arrangement process be considered ‘underway’ when an access arrangement proposal is lodged with the AER under rule 46(1A) in the NGR, or at a different stage?

Feedback 19: See response to Feedback 18.

Chapter 4: Application by market bodies of the proposed changes

Question 20: Do you agree with the characterisation of how market bodies’ decision processes might be impacted or changed as a result of inclusion of an emissions reduction component in the energy objectives?

Feedback 20: Tilt Renewables welcomes the changes to market bodies’ decision processes to take into account emissions reductions.



Question 21: Do you have any concerns with regards to the impact an emissions reduction component in the energy objectives may have in broadening the scope of the AEMC's rule making power or the decision-making powers of the other market bodies under the laws and rules?

Feedback 21: Tilt Renewables does not have any concerns in this area.