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Department of Climate Change, Energy, the Environment and Water

Lodged via email: netp@industry.gov.au

Proposal for Incorporating an Emissions Reduction Objective into the National Energy Objectives

Delta Electricity (Delta) welcomes the opportunity to respond to the Energy Ministers' consultation paper on proposing incorporating an emissions reduction objective into the national energy objectives.

At present, the energy objectives do not refer to emissions reduction either directly or indirectly. However, the National Electricity Rules (NER) already allows AEMO to take environmental policy issues and developments into account when preparing the Integrated System Plan (ISP)¹, with AEMO stating in the December 2022 Draft 2023 Inputs, Assumptions and Scenarios Report that it proposes to model the Commonwealth Government's 2030 and 2050 emission reduction targets in all of its scenarios in its 2024 ISP.

Additionally, the Australian Energy Market Commission's (AEMC) Strategic Plan sets out its decision-making framework for rule changes, reviews and advice, and lists assessment criteria, one of which focuses on decarbonisation, stating:

"To assess whether proposed reforms will lead to a more co-ordinated, efficient approach to consumer, investor and policy decisions to decarbonise the energy sector".

And the AEMC's October 2022 document "How the National Energy Objectives Shape Our Decisions" notes that it already considers jurisdictional policies.

It can therefore be argued that the legislative changes being proposed will not have any practical impact or change how AEMO and the AEMC already consider Government emission reduction policies in their deliberations.

The Australian Energy Council (AEC) has made a submission to this process and Delta supports the positions it represents. In addition, Delta provides the following feedback on transitional arrangements for consideration. The Consultation Paper effectively takes conflicting positions on the transitional arrangements for the proposed legislative changes, stating that:

- the amended objectives will only apply to new processes commenced after the commencement of the amendments; and

¹ Clause 5.22.3(b)



- decision processes under the law and rules that are underway at the time the amendments commence will be continued and finalised as if the changes to the objectives were not in place when the decision was finalised.

The consultation paper also states energy market bodies could be given a broad discretion to apply the amended objective where they consider it is appropriate/feasible. In particular the comment...

“There may also be instances where market participants may see benefit in being able to agree to the amended objectives being applied, despite a process/project already being underway.”

If a Regulatory Investment Test–Transmission (RIT-T) proponent was able to choose to apply the new NEO arrangements to an existing Transmission Project and, thus, “gain” an additional benefit, this could have a very significant negative impact on community support for the RIT-T process at a time when there are already major social licence issues with the RIT-T processes for the HumeLink and VNI West projects.

If an existing RIT-T proponent was able to choose to apply the new NEO arrangements to an existing Transmission Project, then we could potentially have a situation where, if this RIT-T proponent feared there could be a blow-out in costs as the project progressed, then the proponent would have an incentive to request to have the new NEO arrangements apply in order to effectively create a “buffer” in anticipation of this possible cost blow-out. That is, the project proponent would have an incentive to invoke the new NEO arrangements in order to create a new - and higher - level of measured benefits versus a possible increase in costs to ensure the project continued to meet the “Net Benefits” Test. Such an outcome, as already noted, would severely undermine confidence in the RIT-T process and, perhaps, the transition of the NEM to an increasing role of renewables given the significance of Transmission Projects in this transition process.

Delta recommends that the legislation’s Transitional Provisions make it clear that the new NEO arrangements will only apply prospectively and, therefore, will not apply to existing RIT-T projects.

To discuss further please contact Joel Aulbury, Regulation and Strategy Manager, at joel.aulbury@de.com.au.

Yours sincerely,

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