

12 February 2024

NSW Department of Climate Change, Energy, the Environment and Water  
Energy and Climate Ministerial Council

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia, representing over 1,000 of the leading businesses operating in renewable energy generation, transmission, distribution, and storage, plus renewable hydrogen. The CEC is committed to accelerating the decarbonisation of Australia's energy systems as rapidly as possible while maintaining a secure and reliable supply of electricity for customers.

The CEC appreciates and welcomes the opportunity to comment on the draft Orderly Exit Management Framework.

---

## OVERALL RESPONSE

**POSITION:** The CEC agrees with the need to ensure system security and reliability throughout the period of transitioning to a completely renewable powered system, including as key challenges such as develop of new transmission network infrastructure are solved. Transition periods tend to feature heightened uncertainty. A strategic policy toolkit can support a secure and reliable electric power system.

The CEC appreciates the ECMC's decision to craft policies intended to underpin an orderly exit of aging thermal generating assets as new renewable assets connect while supporting market certainty and system security and reliability in the National Electricity Market. The CEC considers, however, that draft Framework runs the risk of increasing policy uncertainty instead of ameliorating it and recommends that DCEEW provide more clarity on specific matters.

Market certainty for participants, especially investors, stems largely from clarity and specificity in regulatory framing and structure. Having the framework available on an opt-in basis for each jurisdiction, will increase uncertainty until and unless jurisdictions adopt it, and the uncertainty will remain regarding whether a minister will elect to utilise it.

Therefore, the CEC suggests that DCEEW provide more clarity regarding some aspects such as:

- The extent to which the details of the framework presented meant to be guideline for ministers using their discretion and which are meant to set boundaries on ministerial discretion; and
- The extent of terms, or what specific terms, will be open for negotiation should a minister decide to issue a Notice for Mandatory Operation.

Market participants will also benefit from further clarity regarding how the framework will support operators, ministers, and AEMO navigating situations where a thermal plant's supply may be needed for security and reliability but the plant itself cannot operate for technical reasons or commercial operating environment reasons. As one example, the framework would introduce a mandate for a System Significant Generator subject to a Notice for Mandatory Operation "to maintain a prudent level of insurance at all times that is consistent with good industry practice."

The insurance industry, however, has made clear that it already struggles to indemnify thermal plants, with aging plants presenting a difficulty. More and more underwriters will either not provide cover at all or will charge such a high premium that operations become unaffordable. Given this and other aspects of current business and market conditions, a Notice for Mandatory Operation in such a situation would present an extraordinary challenge for all parties involved.

As thermal plants continue to age, and maintenance further becomes commercially untenable compared to building new renewable-powered assets, such situations will become more common. Further clarity on how the framework would guide or constrain ministerial decision making would help provide more certainty for market participants.

---

## **ADDITIONAL INDUSTRY INPUT**

The CEC represents the whole of Australia's clean energy industry, including firms that own thermal and renewable assets as they work to transition clean energy companies, and along with networks, financial investors, and insurers. This positions the CEC uniquely to facilitate further engagement with DCEEW and the ECMC as they refine the framework and create an exposure draft Bill.

Please do not hesitate to be in touch should DCEEW or ECMC wish for further industry engagement.

As always, the CEC will work with NSW DCEEW and the ECMC to support the rapid transformation of the NEM whilst maintaining security and reliability and welcomes further engagement on ensuring an orderly exit of aged and aging thermal assets and broader NEM reform and transformation. Further queries can be directed to Paul Beaton at the CEC on [pbeaton@cleanenergycouncil.org.au](mailto:pbeaton@cleanenergycouncil.org.au).

Kind regards,

Christiaan Zuur  
Director, Market, Investment, and Grid