



Nature Conservation Council

The voice for nature in NSW

1 February 2024

The Hon. Penny Sharpe MLC

Minister for Climate Change, Minister for Energy
Department of Climate Change, Energy, the Environment and Water
New South Wales Government

Submitted via: energy.consult@dpie.nsw.gov.au

Dear Minister Sharpe,

Orderly Exit Management Framework Consultation

The Nature Conservation Council of New South Wales (NCC) is the state's peak environment organisation. We represent over 190 environment groups across NSW. Together we are dedicated to protecting and conserving the wildlife, landscapes and natural resources of NSW.

NCC welcomes the opportunity to provide feedback on the Orderly Exit Management Framework.

The imperative for a rapid renewable energy transition is stronger than ever.

We are in a climate emergency. Communities, threatened species and ecosystems are suffering disastrous drought and unprecedented bushfires and floods. Since 1910, when national weather records began, average temperatures have risen 1.4°C. 2023 was the hottest year ever recorded by a substantial and concerning margin. More than ever, the immense costs of failing to limit global warming are clear, present, and worsening.

To achieve the agreed Paris goal and limit warming to 1.5 degrees, all credible scenarios suggest that advanced economies including Australia must phase out unabated coal-fired power by 2030.¹ Indeed, coal power stations are increasingly unreliable. Prolonging the life of coal power stations undermines the reliability, security and affordability of the wider power system.

This means that decision-makers concerned with achieving a safe-climate future should be seeking opportunities to accelerate the deployment of wind and solar power beyond scenarios like the 2022 Integrated System Plan's Step Change scenario, or the NSW government's Network Infrastructure Strategy. This requires a rapid deployment of transmission this decade.



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NSW has made progress toward fixing planning processes, with ongoing work in 2024. Combined with the several rounds of tenders finalised at the end of 2023, NSW is in a promising position.

Erarung Power Station does not need to continue operation past its scheduled closure.

Nexa Advisory published a report in July 2023² that demonstrated that Eraring power station could be closed in August 2025. The report provided recommendations to impart assurances that the closure could occur as scheduled. These included accelerating new capacity build, bolstering firming capacity, and supporting distributed energy resources, among other things.

The AEMO Energy Security Target Monitor report of October/December 2023 also shows that there is no reliability “gap” out to 2033, when the NSW Roadmap and federal schemes are considered³.

Additional recent reports by Climate Energy Finance and the Institute for Energy Economics and Financial Analysis reinforce the fact that Eraring power station can be closed without risks to reliability in NSW and without NSW and ACT consumers paying to keep Eraring power station open⁴.

Given the progress that the NSW and federal governments have made, the additional capacity that has been and will be added to the NSW region ahead of the scheduled closure of Erarung in August 2025, and the repeated findings that there will be no reliability risk, there is no rational need to delay that closure.

Key design elements of the OEMF fail to absolutely prioritise urgent and rapid closures

As enough renewables are built to ensure reliability, coal power plants should close as soon as possible. A mechanism to ensure coal power plants exit in an orderly manner could help ensure reliability and provide certainty. But, as proposed, the OEMF is not that mechanism.

The urgency of the emissions reductions task means that any such mechanism needs to put first every other option before subsidising coal or gas fired power stations to stay open. It is not clear this is the case in the consultation paper.

The OEMF must make sure that any payment to emissions intensive generators does not enable additional operation beyond what is absolutely required or keep them in the system for longer than necessary.



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The OEMF must also make every effort to reduce cost to consumers and keep risk with the entity who is facing the risk and can manage the risk, rather than transferring risk to consumers. It should not provide payments to already profitable power plants.

The proposed mechanism for passing costs on to consumers is unfair

Funding coal power station extensions through Transmission Use of System (TUoS) will result in increased electricity bills for all consumers by distributing the cost of paying operators to keep fossil fuel power stations running across energy bills. This will push up consumer bills at a time of increasing cost of living and cost of doing business pressures.

The costs of the OEMF should be borne by the relevant state government through its budget rather than through consumer bills.

Additionally, it is not appropriate that the OEMF places the incremental cost of the site remediation of a closed power station on consumers. The cost of the remediation of power station sites, many of which will be repurposed by their owners into firmed renewable energy parks, are unlikely to significantly change with a delay to closure since the owner would have needed to remediate the site anyway. No element of site remediation costs should be borne by consumers.

The OEMF requires risk mitigation against gaming the system and perverse incentives

The current design and payment structure of the OEMF may encourage coal power stations to operate more or for longer than necessary. Any contract with a coal power station should not be structured to incentivise increased generation beyond the bare minimum – it should be an availability payment only.

The current design of the OEMF could encourage owners of coal power stations to bring forward the closure of their plant to trigger the OEMF to access government compensation and contributions to the not insignificant site remediation costs. This is a major concern and needs to be remedied.

If a coal station is subsidised by the government, the contract details and a full accounting of costs must be transparently shared with the public to ensure that consumers are getting value for the costs they will have to bear (ideally indirectly through the state budget). Clear and rigorous performance standards and penalties for non-delivery would need to be a mandatory requirement in any contract. The OEMF as proposed does not provide this level of accountability or transparency.



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Thank you for the opportunity to participate in this consultation.

Your key contact point for further questions and correspondence is Jacquelyn Johnson, Executive Officer, available via jjohnson@nature.org.au and (02) 9516 1488. We welcome further conversation on this matter.

Yours sincerely,

Jacqui Mumford
Chief Executive Officer
Nature Conservation Council of NSW

¹ International Energy Agency, [Net Zero Roadmap](#), 2021

² <https://auc-word->

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³ https://www.energy.nsw.gov.au/sites/default/files/2023-12/2023_ESTM_Report_v2.pdf

⁴ <https://climateenergyfinance.org/wp-content/uploads/2024/01/CEF-NSW-Electricity-report-19-January-2024.docx.pdf> and

<https://ieefa.org/sites/default/files/2023->

[12/The%20Approaching%20surge%20of%20renewables%20and%20storage%20leaves%20no%20space%20for%20Eraring_Dec23.pdf](https://ieefa.org/sites/default/files/2023-12/The%20Approaching%20surge%20of%20renewables%20and%20storage%20leaves%20no%20space%20for%20Eraring_Dec23.pdf)