

# Public Forum on National Energy Guarantee: Rosemary Sinclair speech

Thank You for this opportunity to contribute to the thinking on the Finkel Report's final piece - what is now the National Energy Guarantee

and our approach to designing the mechanism to deliver targeted progress towards lower emissions through renewable energy sources while maintaining an energy system we can depend on

BUT – and this will be my focus –

## **AT A COST THE COMMUNITY THINKS IS VALUE FOR MONEY**

I'd like to make my remarks through the lens of affordability

and what the community is telling us through our Energy Consumer Sentiment Survey. We run this survey every 6 months ...we will release the latest findings ahead of our Foresighting Forum later this week

We ask over 2000 household and small business energy consumers

What they are thinking about energy

Consumers have great interest in energy markets as we know and see the Finkel Report recommendations as a way of settling this sector down.

They rightly see energy as an essential service – essential for comfortable homes, essential for business competitiveness.

And after ten years of prices going up and up and up it is essential that anything we do anywhere in the energy sector continues to bring bills down.

In our survey we ask about satisfaction, activity and intentions.

In many aspects consumers are reasonably satisfied but where they are not it is quite clear.

In our most recent survey, consumers continued to tell us that they want control over costs...and we see they will take action to get that control if they can afford to.

They tell us that they are satisfied with current levels of reliability but are concerned about future reliability,

that they are not seeing value for money in this market and

that they do not have confidence at the moment that the sector is working in their long-term interests.

## **CURRENT CONTEXT OF ENERGY PRICES**

The current context from the consumers perspective is tough. The bills are too high and the ACCC is currently reviewing all the elements that contribute to the bill:

1. Network - we see overinvestment driven by demand forecast and reliability measures which will take years to rein in ...some figures I have seen show network costs in some cases rising due to RABxWACC beyond 2040 and overwhelming good recent reductions in opex and capex spend;
2. Wholesale energy markets - recently delivering double digit price rises to consumers;
3. Government initiatives winding up in costs on the bill; and
4. Retail market costs not reflecting expected outcomes for consumers, from an effectively competitive market

Gas markets outcomes are not yet delivering acceptable prices.

And up to date, the consumer “just pays” in this sector which is driving the value for money dissatisfaction and lack of confidence.

## CONSUMER CONFIDENCE

The importance of acting to rebuild the confidence of consumers in the sector and trust in the energy system cannot be overstated

The NEG must be about delivering the transition in a way the lowers the bills.

The NEG can complete the package of reforms from Finkel

national strategy and system planning,

better management of complimentary market reforms and

orderly transition to lower emissions

It will be developed in a context of other settings on reliability parameters and performance

And in a context of discussion of potential future markets to secure reliability outcomes

BUT all these measures together must reflect a laser like focus on lowest efficient costs and outcomes on the bill.

Not one more dollar than necessary...with no one left without the energy services they need.

Two big steps are needed to address energy affordability in the longer term:

1. Increasing supply to match demand - consumers know there is a supply problem.

Certainty is needed. Investment is needed. The NEG will help address affordability through incentives for industry.

However, there must be no opportunity for over-investing in generation or new services as we try to unwind the effect of over-investing in network assets.

There must be no opportunity for any single part of the system to de-risk it's own position at the expense of consumers through added costs.

2. Matching demand to supply – our data says the community will help if engaged properly.

Using technology and data, and seeing consumers as partners in the national system will help address affordability through incentives for consumers

There is much more opportunity for sophisticated demand response and energy efficiency than we have seen taken....building on the AEMO-ARENA Trials over summer and mature initiatives like Peak Smart in Queensland.

Again there must be no opportunity for any single part of the system to de-risk it's own position at the expense of consumers through added costs.

It is no longer enough to marvel at the wonders of markets and market design - consumers are expecting the mechanics of markets to deliver lower bills.

That of course is a key policy promise of the NEG!

Consumers and small business are looking for a clear signal that business as usual is not enough...that the energy sector is being settled by coordinated national planning and action, that there are transparent and effective markets that will bring bills down.

Thank you!