



# Developments in NSW: Speech notes

**By** Rosemary Sinclair AM  
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## Major announcements

### 1. Liddell Power Station Taskforce (9 August 2019)

Liddell Power Station, in the Upper Hunter Valley of NSW, produces around 8,000 gigawatts of electricity per year. This is enough to power around one million average residential homes. In April 2015, AGL announced that it would close the Liddell Power Station in 2022. This move is part of strategic delivery of AGL's commitment to the decarbonisation of its generation portfolio (with Bayswater to close in 2035 and Loy Yang to close in 2048).

On 2 August 2019, AGL announced that it would delay the scheduled closure of Liddell to help ensure that there is enough generation throughout the summer period. While the first unit will close in April 2022, the remaining three units will close in April 2023 <sup>1</sup>

On 9 August 2019, the Morrison and Berejiklian Governments announced a Commonwealth-led taskforce to look at potential impacts of Liddell's closure in 2023. This will include options for extensions or like-for-like replacement. This is linked to ensure affordable prices and reliable supply.

### 2. CEDA speech (7 June 2019)<sup>2</sup>

Minister Kean used this briefing to signal his desire to work constructively and pragmatically with the Commonwealth Government. Minister Kean stated that the "climate wars have not delivered for the people of NSW" and set out an approach to address the practical constraints on the electricity system, harness the benefits of competitive markets and acknowledge that the state is the ultimate guarantor of electricity supply. Minister Kean emphasised the need to move from ideological discussions about the future of energy to practical implementation of a strategy that will allow it to meet its State target of net zero emissions by 2050. The four principles underpinning this strategy are:

- Use markets to discover efficient solutions to new problems.
- NSW to be the easiest jurisdiction to develop new electricity infrastructure in the OECD.
- The electricity system is too big to fail. That is, it is unacceptable for the State to be left with insufficient capacity to address peak demand.
- Ensure the people of NSW get long-term benefits from the advances in technology and the new products and services from this transition.

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<sup>1</sup> AGL website: [AGL Macquarie Power Stations; Rehabilitation and Transition](#); and [Schedule for the closure of AGL plants in NSW and SA](#)

<sup>2</sup> The Hon Matt Kean MP media: [7 June 2019 CEDA speech](#)

### 3. Energy Switch (2 June 2019)

The NSW Government's "Energy Switch" service allows consumers to upload their electricity bills to 1) easily compare available offers with their current plan; and 2) facilitate switching to a better plan. This service was extended in June 2019 to include gas offers.

#### **What NSW consumers are telling us**

In the June 2019 Energy Consumer Sentiment Survey, NSW consumers are telling us that their overall satisfaction with energy services has decreased by 7% to 64 per cent. The survey shows decreases in all satisfaction measures, with the largest decrease of 10% in fault resolution (for electricity) and seven per cent in reliability (for gas). Conversely, satisfaction with the level of competition has increased by 3%, to a low base of 48%. In a comparative assessment of satisfaction with energy utilities in a field of seven sectors, gas ranks 5th and electricity ranks 7th.

#### **Energy Consumers Australia's activity in NSW**

Our CEO spoke at the 7 June 2019 CEDA event which spoke of our optimism that the sector working together and utilising new technology can deliver an energy market in the long-term designed for consumers. The Energy Charter was the main thread for this discussion.

Following the successful resolution of the NSW electricity distribution revenue determinations in April 2019, we are continuing our approach to network engagement having attended Ausgrid's first innovation working group (called the "Network Innovation Advisory Committee"). Looking to gas, in August, we spoke at the AER's public forum on Jemena Gas Network's (JGN) access arrangement proposal and made a submission to the AER on the proposal. This submission was supported by our technical expert's assessment of the proposal, TRAC Partners.

ECA continues to engage with Transgrid on transmission projects through the Powering Sydney's Future Stakeholder Monitoring Committee and the Transgrid Advisory Council.

#### **Snapshot of what we're focusing on in our work of promoting the long-term interests of consumers in the energy sector.**

#### **Energy Security Board**

##### 1. DER Integration - workshops this week

"Your DER" is my appliance: panel, battery, hot water, air con, pool pump and EV. Emphasis now on consumer value and system optimisation.

##### 2. Post 2025 report – market design task

We would say this should start by looking into the future and working back from that, rather than incrementally tweaking from the incumbent position which will make for a focus on protection rather possibilities.

#### **Australian Energy Market Operator**

1. ISP #2 - much longer-term scenarios; much improved stakeholder engagement. ISP Insights Paper on the role of Pumped Hydro in building system resilience

2. Corporate Plan 2020-2023 and Quarterly Energy Dynamics Q2 2019 reports are a must read

*Quote from AEMO's Purpose and Governance - Corporate Plan 2020-2023*

*"AEMO is the independent system and market operator and planner for the National Electricity Market (NEM), the WA Wholesale Electricity Market (WEM), wholesale and retail gas markets and supply*

*hubs, and gas systems. We pursue the National Electricity, Gas and Energy Retail Objectives of 'promoting efficient investment in ... operation and use of electricity and natural gas services for the long-term interests of consumers ... with respect to price, quality, safety, reliability and security of supply'."*

## **Australian Energy Market Commission**

**Demand** matters as a resource for the energy sector. managed and monetized for consumer benefit. Individual and all together.

Take outs from the paper on applying the energy market objectives;

**Consumers** - are consumers in general rather than a particular type or group

**Services** - energy objectives reference services not assets; how energy is used rather than what it is or how it is delivered; the interaction between demand and supply

**Long-term** - takes account of dynamic efficiency - what we would call innovation

**The specific variables** - price, quality, safety, reliability and security of supply

The Commission considers whether its decisions are **robust** to impacts on these specific variables if these matters are impacted by mitigation or adaptation risk that manifests due to the issue of climate change.

## **Australian Energy Regulator**

- Networks in NSW – post revenue determination, the focus has shifted from regulation to innovation with consumers e.g., Ausgrid's Network Innovation Advisory Committee
- Transmission project assessment – Energy Connect; other projects under consideration include QNI, VNI, Marinus Link
- Prices for devices – tariff structures and consumer choice
- Consumer protection – increased focus on retail outcomes
- System reliability and security monitoring and enforcement responsibilities
- ACCC 6 monthly Price Monitoring Report
- Corporate Plan 19-20

*The Australian Energy Regulator (AER) works to make all Australian energy consumers better off, now and in the future.*

*We place consumers at the heart of our work to deliver a secure, reliable and affordable energy future for Australia in the face of significant technological, behavioural and systemic change.*

*To achieve this, we direct our activities towards developing and maintaining a flexible and adaptive regulatory framework in recognition of the dynamic nature of energy markets.*

*Our work is guided by five strategic objectives:*

1. *Drive effective competition where it is feasible.*
2. *Provide effective regulation where competition is not feasible.*
3. *Equip consumers to engage effectively, and protect those who are unable to safeguard their own interests.*

4. *Use our expertise to inform debate about Australia's energy future, the long-term interests of consumers and the regulatory landscape.*
5. *Take a long-term perspective while also considering impacts on consumers today.*

## **Energy Futures**

In the UK the focus on Net Zero 2050 is catalysing discussion around “how to get there” compared to “how to stay here”.

An Innovation eco-system is emerging between researchers, industry and government.

## **Foresighting Forum 2020**

Our own research into what consumers expect in the future from the energy sector which will give us new insights into their long-term interests. We are working to be ready for a discussion with the whole sector in February 2020 on the findings and implications for energy sector decision making.

## **Working with industry and governments for better outcomes for consumers**

- Power Shift - Housing campaign success. Now appliance standards: open access, global where possible. Energy use management is the focus for us now that the research is done. Check our website for global leading research on how to best communicate with consumers.
- New Energy Technology Consumer Code – a different vehicle for consumer protection with industry taking responsibility.
- The Energy Charter - what does success look like?

Talking, and there has been plenty of that - robust and respectful - is not enough. We need industry to walk the talk. We see the Energy Charter as an excellent vehicle for walking the talk and rebuilding Trust.

*“How are you approaching the disclosures on 30 September?”*

This comment is from the Chair of the End User Consultative Group which has been discussing the disclosure process:

We are looking for:

- An honest and authentic appraisal about how the business is living up to the principles. Not in the form of a “glossy doc” but more like a serious internal brief to the Board. This report will help establish a baseline.
- Commitment to Do Better with some detail about How. Intent and Trajectory
- Examples of what is working well, what the business is trialling. Evidence of innovation in different areas, and...
- Nice and succinct.

## **What does success look like?**

We want to see Expectations added to Engineering expertise and Economics expertise. We think the Energy Charter is about pro-active thinking and a shift away from passive thinking. The Energy Charter is about aligning interests.

## **Success - the Narrative**

Success will look like a move from the adversarial relationships driven out of our regulatory framework to interests aligned through the Energy Charter. If we keep relying on regulate, we will be too late... to meet consumer expectations. Success will look like Industry Leading Change.

Success will look like a move away from a Compliance Game begin played by regulatory teams to a Change Task being led by Leaders across the whole system with a shared focus on Better for Consumers. The engagement of sector leaders is what gives me confidence about the Energy Charter.

Success will look like Industry achieving outcomes for consumers AND employees AND shareholders and investors. We are in the middle of a global debate about where economic models of the last 40 years have landed us. Consumers are asking when “the trickle is going to trickle down near me”? In essence, whether markets can manage outcomes with moral authority.

Success will look like industry taking RESPONSIBILITY for consumer protection. Over time this could allow the regulatory framework to evolve to become more adaptive to the dynamic sector that energy will be.

## **Success - the Numbers**

When we ask consumers in our Energy Sentiment Survey every 6 months, success will look like:

- Do you have confidence in this market? Numbers will be UP from Households 31%; Small Business 42%
- Are you getting Value for Money? The numbers will be UP from 47% for electricity and 60% for gas
- Are you confident in managing your energy costs? The numbers will be UP from Households 60% Small Business 56%

THANK YOU

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