



Electrical Trades Union

**ETU Submission to
AEMC Consultation on
generator three year
notice of closure**

5 June 2018

Contents

1	Preliminary Summary	3
2	Introduction	4
3	Just Transitions	4
4	Evidence Supporting Closure Notification	5
5	Increase in Regulatory Burden For No Benefit	6
6	Recommendations	6
7	Conclusion	6

1 PRELIMINARY SUMMARY

1. The ETU is concerned that the proposed rule changes are deficient.
2. There is currently no mechanism to provide for a “Just Transition” – that is the imperative of a just transition of the workforce and the creation of decent work and quality jobs.
3. While generators are required to give 3 years notice of intended closure, this is a minimum notice, that is subject to change and allows for a generator to notify periods greater than 3 years still leaving considerable uncertainty.
4. There doesn't appear to be a clear material benefit resulting from the increased regulatory burden.
5. Absent these considerations, the steps being proposed to improve the security and reliability of electricity in Australia will ultimately be deficient.

2 INTRODUCTION

The Electrical Trades Union of Australia (ETU) is the Electrical, energy and Services Division of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia (CEPU). The ETU represents approximately 61,000 electrical and electronic workers around the country and the CEPU as a whole represents approximately 100,000 workers nationally, making us one of the largest trade unions in Australia.

The ETU welcomes the opportunity to make a submission on the consultation on a rule change request from Dr. Kerry Schott AO that seeks to assist in managing the retirement of generators by formalising the information provided to AEMO about their expected closure dates.

The *Independent Review into the Future Security of the National Electricity Market*¹ by Dr Alan Finkel states at recommendation 3.2:

- *To support the orderly transition, the Panel recommends a requirement for all large generators to provide at least three years' notice prior to closure. The Australian Energy Market Operator should also maintain and publish a register of long-term expected closure dates for large generators.*

While the Finkel Review was a comprehensive technical analysis and technical review of the National Electricity Market its remit was absent one of the most critical factors in assuring the provision of secure and reliable electricity to consumers – that is the fundamental need for a skilled, secure and reliable workforce to operate and maintain every aspect of the Network.

Absent this consideration, any steps taken to improve the security and reliability of electricity in Australia will ultimately be deficient.

3 JUST TRANSITIONS

In the energy transition, ensuring a just transition for affected workers and communities is a priority for the ETU. The sudden closure of two foreign owned private generators in, Alinta's operations in Port Augusta in 2016 and Engie's Hazelwood power station in 2017, illustrate the inadequacy of an unplanned transition in this sector. Both were sudden and came with detrimental impacts on workers and their communities.

Whilst it is understood that the three year rule will not work in isolation, but with a range of measures and policy mechanisms, including the accepted recommendations of the Finkel Report, the fact is that there are no measures towards ensuring a Just Transition for the energy sector in the rule change or the wider suite of proposed policies.

¹ [The Finkel Review](#)

The ETU cannot, and will not, accept the absence of Just Transition policies given they are such a critical part of the required energy policy framework.

Transitioning any industry is a massive economic and social disruption, and sadly it is something that has been done poorly to date in Australia, often waiting until a company, or an entire sector, goes under before offering training or financial assistance to redundant workers.

The consequences of not having a plan to transition an industry that is undergoing fundamental change can be devastating. History shows that workers and communities often bear the brunt of such transitions suffering hardship, unemployment and generations of economic and social depression.

Industry also suffers through the loss and disengagement of skilled workers that could otherwise have been re-skilled, upskilled or cross skilled into the new technology area. The subsequent rush to fill skills shortages through poorly cobbled together employment programs, completely avoidable temporary skilled visa arrangements or through the utilisation of a fly in / fly out workforce is completely avoidable.

4 EVIDENCE SUPPORTING CLOSURE NOTIFICATION

The proposed rule change does not ensure that closure notifications are evidence based. There is no requirement for Generators to demonstrate their assessment of determining the closure date, nor does it prevent a Generator from changing the closure date, including changing the date multiple times. There is also a risk that a change in closure date beyond three years would technically meet the threshold of having been notified as per the rules. By way of example - generator x notifies intended closure date of 3 years from today. Subsequent to this notification, at the end of year 2 generator x notifies new closure date of 1 year later (4 years from original notification).

Arguably this would be compliant with the proposed rule change as the notification is greater than 3 years.

Further, the “beyond the reasonable control” exemption provisions of the rule change create even greater uncertainty as to when a Generator will actually close.

Finally, genuine closures of Generators for legitimate reason does not appear to have been contemplated such as periods of “mothballing”, extended maintenance shutdowns and augmentations or a significant period of non-generation caused by fuel reserve shortages or supply issues.

Under the current construct of the rules change it is entirely foreseeable that Generator closures will be no less certain than under the current regime.

5 INCREASE IN REGULATORY BURDEN FOR NO BENEFIT

The current proposed rule changes are set to significantly increase regulatory burden for AEMO, the AER and Generators but due to the vague construct and likely application of the rules it is entirely unclear what additional benefit will be derived from these changes.

There is a question as to why such rule changes have avoided the scrutiny of a regulatory impact statement, particularly considering the Governments position on red tape reduction.

6 RECOMMENDATIONS

The ETU submits the following recommendations arising out of our review into the AEMC Consultation on generator three year notice of closure.

Recommendation 1

That any rule change be required to incorporate provision for a “Just Transition” for energy industry workers and their communities.

Recommendation 2

That any rule change ensure provisions for notification of closure are evidence based and unable to be manipulated by energy industry participants with clear penalties for reckless or deceptive behaviour.

Recommendation 3

That the Generator notification of closure rule changes be subjected to a regulatory impact statement.

7 CONCLUSION

The energy trilemma will not be solved as long as the fundamental issue of a just transition remains absent from the debate. Whilst the ETU is interested in Just Transition from the position of advocating for our members interest who work in this industry, this is not the singular reason.

Australia’s energy industry cannot function without an appropriately qualified, skilled, secure and reliable workforce. Consumers should not be forced to wear inefficient costs associated with an energy transition that is absent the obvious workforce planning required for an effective transition.

The fact that energy policy in Australia remains completely absent of any consideration of the workforce and community planning requirements which ensure energy assets are effectively operated, maintained, repaired, replaced and commissioned can only be described as negligent.