

11 February 2021

Christiaan Zuur
Director
Australian Energy Market Commission

Sent electronically



Dear Mr Zuur,

Submission to consultation paper on enhancing resilience to indistinct events

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the AEMC's consultation paper.

Climate change will increase the frequency and severity of extreme weather events, and PIAC agrees the current frameworks must change in order to continue to provide appropriate levels of security and reliability. Reforms must consider the impact on efficient market operation and the ability to deliver levels of security and reliability that consumers are willing to pay for.

While some intervention will always be needed, PIAC has concerns that excessive intervention in markets may disrupt their operation and disincentivise the entry of new participants and/or the timely exit of existing generation. It is essential interventions are transparent, and only made when they are in the long term interests of consumers.

PIAC is generally supportive of the AEMC's proposed assessment principles and provides additional comment on some principles below:

- Efficient investment and operation of the power system – in addition to considering the costs of any proposed reforms against the benefits they provide, the AEMC should consider the efficiency of how risks are allocated and costs are recovered. As the AEMC notes, risks are most efficiently allocated to those parties best placed to manage them. Costs are most efficiently recovered on a beneficiary-pays basis or, where that is impractical, on a causer-pays basis.
- Flexibility – PIAC agrees that regulatory arrangements should be flexible to changing conditions. This must include the arrangements for cost recovery and risk allocation, as the nature and predictability of these events, along with the risks, costs and impacts in managing them, change over time.¹

¹ For instance, the need for and direct beneficiaries of system services such as inertia will change as the NEM transitions towards higher penetrations of inverter-connected equipment and becomes less reliant on a reducing number of large, synchronous, thermal generators.

- Effective governance: stability and transparency – PIAC agrees that transparency is important to build confidence in the framework and continue to support the efficient investment and operation of the markets. However, stability is one of a number of key principles and should not compromise the flexibility to respond to changing conditions as described above.
- Effective governance: allocation of responsibilities – PIAC strongly supports the need for clear and robust accountability in deciding when and how to best respond to indistinct events. Given the concerns noted earlier that increased intervention may disrupt efficient market signals, the allocation of responsibility and accountability is essential to building confidence in the framework.

Continued engagement

PIAC would welcome the opportunity to meet with the AEMC and other stakeholders to discuss these issues in more depth.

Yours sincerely,

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