

18 August 2023

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Mr Tim Jordan
Ms Sally McMahon
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Australian Energy Market Commission
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Lodged electronically: www.aemc.gov.au (CRP0159)

Dear Commissioners



EnergyAustralia

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Consultation on AEMC guide to applying the emissions component of the national energy objectives – 24 July 2023

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts across eastern Australia. We also own, operate and contract a diversified energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 5,000MW of generation capacity.

We appreciate the opportunity to comment on the Commission's application of the national energy objectives. The introduction of an emissions reduction limb into the objectives is a potentially significant change. As the Commission notes, this will mean the internalisation of emissions impacts into its decision making, arising from government targets, as well as via a value of emissions reduction. Our separate submission on the current 'harmonisation' rule change proposals explores these two new elements in detail.

In principle, we support the Commission's intended approach to refine its current assessment criterion that refers to decarbonisation, to reflect the achievement of government targets.

It is not clear how these targets, as captured in the Commission's targets statements, will be articulated, reconciled or combined. Targets contain a range of metrics including:

- emissions reduction for individual jurisdictions, markets like the National Electricity Market, for different sectors and the national or economy wide level
- interim and long term targets, giving rise to 'trajectories' for interceding time periods
- technology specific investment targets
- values set out in legislation, as well as non-binding policy statements

- different levels of ambition, in the sense that some targets are more aggressive and so should influence market outcomes more than others.

We accept there will be difficulties for the Commission in undertaking quantitative assessments and agree that the value of emissions reduction should be used wherever possible. Estimation of the volume of emissions reduction will be similarly critical and we look forward to seeing the Commission's further guidance on this. It will be important to provide guidance on how both the value and volume of emissions reduction affect the Commission's decision making.

The Commission notes that "when the energy objectives change the AEMC will be able to consider a wider range of rule change requests."¹ It should seek clarification of the scope of acceptable changes given ministerial intentions, mentioned in the current rule change proposals but not in any formal directions to the market bodies:

For the avoidance of doubt, the purpose of amending the energy objectives was not to require AEMO to consider emissions reduction in its administration of wholesale energy markets, including real-time dispatch. Ministers recognised that to do so could have had unintended consequences that could negatively impact secure and reliable market operations.²

If you would like to discuss this submission, please contact me on 03 9060 0612 or Lawrence.irlam@energyaustralia.com.au.

Regards

Lawrence Irlam
Regulatory Affairs Lead

¹ AEMC, *Consultation on AEMC guide to applying the emissions component of the national energy Objectives*, 24 July 2023, p. 5.

² DCCEEW, *Tranche 1 rule change request: network/pipeline expenditure proposals and assessment*, 3 July 2023, p. 2.