

Mr Peter Achterstraat AM
Commissioner
Office of the NSW Productivity Commissioner
Department of Treasury
52 Martin PI
SYDNEY NSW 2000

18th September 2020

Submitted via e-mail to: ProductivityFeedback@treasury.nsw.gov.au

Dear Mr Achterstraat,

Continuing the Productivity Conversation

The Australian Energy Council (the “**Energy Council**”) welcomes the opportunity to make a submission in response to the NSW Productivity Commission’s *Continuing the Productivity Conversation Green Paper*.

The Energy Council is the industry body representing 22 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia, sell gas and electricity to over ten million homes and businesses, and are major investors in renewable energy generation.

Discussion

Draft Recommendation 5.9: Develop a reliability system that reflects consumer needs

As discussed in detail in the Energy Council’s submission to the Department of Planning, Industry & Environment’s *Energy Security Target and Safeguard Consultation Paper*,¹ the Energy Council does not support the Energy Security Target due to its intra-state nature and flaws in its design. The NSW Government is encouraged to set the concept aside and instead work within the national process.

Draft Recommendation 5.10: Adopt an integrated market-oriented climate change and energy policy

The Energy Council firmly believes emissions abatement is a policy that should be engaged at the national rather than sub-national level. Actions taken at the sub-national level are inherently less efficient, ultimately costing the NSW economy more, and they can lead to investor disruption, increases in customer prices and falling energy supply reliability. They can even be environmentally ineffective due to “carbon leakage” effects.

Draft Recommendation 5.11: Price electricity to reflect costs

The Energy Council continues to support the rollout of smart meters to NSW premises, and the development of more cost reflective electricity pricing. However, these obligations are already clearly contained within the National Electricity Rules, and thus the development of NSW specific targets would represent a decrease in overall productivity.

So as to better enable these national processes to benefit NSW energy users, the Energy Council recommends the NSW Government undertakes a rationalisation process of all its existing derogations away from the national frameworks. Jurisdictional limitations, including for example the

¹ Available at <https://www.energycouncil.com.au/media/18644/20200622-aec-nsw-energy-security-target.pdf>

moratorium on the use of remote services in smart meters between December 2017 until at least October 2020, have created a significant barrier to the rollout of smart meters in NSW.

Draft Recommendation 5.14: Improve and rationalise energy rebates

The Energy Council supports the draft recommendation to improve and rationalise energy rebates. As “agents” for the NSW Government, energy retailers deliver rebates to customers via their energy bills. These processes are relatively cumbersome when compared with other states, with frequent changes to requirements and procedures increasing costs. While the NSW Government has taken steps to simplify processes to the extent possible, the Energy Council is concerned that costs are being passed onto industry unnecessarily. For example, retailers are required to develop and maintain systems to pass on rebates to customers, and update these systems whenever the Government makes a change to its schemes. While retailers are paid an administrative fee to pass through the rebate, they are not compensated for implementing regulatory changes to the schemes. Similarly, retailers are required to audit their delivery of the schemes, at their own cost.

The Energy Council consider steps should be taken to ensure the delivery of the rebate programme is as efficient, simple, and as low cost as possible.

Conclusion

The Energy Council continues to support national, consistent approaches to enable the efficient delivery of energy to NSW consumers. Where possible, NSW should seek to remove deviations from national arrangements, limiting derogations to issues where there is a specific geographical issue that requires special treatment. Where jurisdictional rules are required (for example, to implement energy rebates), processes should be streamlined, and costs should be recovered through the budget to minimise the impact on energy consumers.

Any questions about this submission should be addressed to the writer, by e-mail to Duncan.MacKinnon@energycouncil.com.au.

Yours sincerely,



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