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**AUSTRALIAN ALUMINIUM COUNCIL RESPONSE TO:  
*PROPOSED METRICS FOR THE STRATEGIC ENERGY PLAN***

Thank you for the opportunity to provide a submission to the consultation on proposed metrics for the Strategic Energy Plan. This submission is made on behalf of Australia's aluminium industry, and covers the significant electricity use and economic activity associated with aluminium smelters and alumina refineries connected to the National Electricity Market (NEM).

The aluminium industry is supportive of the overall approach and agrees that the ultimate test of policy, planning and operation of energy markets must be delivery on outcomes that are important to consumers.

National Electricity Objective and National Gas Objective

The central role of consumers is also made clear in the national electricity objective and the national gas objective which enshrine "the long term interests of consumers" in legislation as the primary objective. It is not clear how the proposed metrics relate to the national electricity objective and national gas objective and there is some risk that confusing signals, or loss of focus could result. We recommend that a clear hierarchy be established that maintains the national electricity objective and national gas objective as the key tests and establishes explicit links between these and the greater operational detail proposed in the metrics.

Prioritising Metrics

The proposed metrics attempt to describe a comprehensive set of measures of the health of energy markets and the outcomes being delivered. We support this comprehensive approach but are concerned that all metrics may be treated as equally important and that delivery on many or most of the metrics would be deemed a success even if the most important metrics are not achieved. Individual customers will see delivery on some metrics as far more important than others and, even as a whole, customers would not consider all the metrics proposed as equal.

We recommend that the metrics be prioritised and a smaller number of 'super-metrics' be identified that would capture the major market outcomes sought by consumers.

The aluminium industry (and presumably other industrial electricity users) view the following metrics as significantly more important than the remainder of the list, with the first metric as the single most important outcome:

- C&I customers' energy costs are competitive with international counterparts;
- Average forward swap and cap contract prices for electricity in line with the efficient levelised cost of energy;
- Retail and wholesale prices over time (contract and average spot) reflect the long run marginal cost of producing electricity and gas;
- Market concentration continues to decline across all regions;
- Commodity costs competitive with international spot price less liquefaction or shipping;

We recommend the separation of the C&I customers energy cost benchmarking into two separate metrics – one for C&I customers and one for major industrial customers directly connected to the transmission network who are likely to have a higher electricity intensity of production and a greater impact of electricity costs on international competitiveness.

#### Gas Prices

While the price of gas is a contributor to some of the proposed metrics including “C&I customers' energy costs are competitive with international counterparts”, it would be beneficial to have the price of gas for industrial customers and electricity generation more explicitly identified as one of the key metrics.

#### Electricity Price Volatility

Increased volatility in electricity prices has been an early warning sign of key problems in electricity markets in recent years. Increased spot price volatility, particularly in the summer months, leads to higher prices in contract markets and may also indicate looming problems in reliability of supply. We recommend that electricity price volatility be monitored and included in the metrics as an indicator of potential problems on other key deliverables.

Thank you again for the opportunity to provide a submission to the consultation on proposed metrics for the Strategic Energy Plan. I am happy to provide further information on any of the issues raised in this letter. The Council looks forward to engaging more through the implementation of these recommendations.

Yours sincerely



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