

12th September 2018



**AUSTRALIAN
ALUMINIUM
COUNCIL LTD**

PO Box 63, Dickson

ACT 2602

Ph: 6267 1800

info@aluminium.org.au

Energy Security Board
c/- COAG Energy Council Secretariat
Department of the Environment and Energy
GPO Box 787
CANBERRA ACT 2601

By email: info@esb.org.au

AUSTRALIAN ALUMINIUM COUNCIL RESPONSE TO CONSULTATION ON NATIONAL ENERGY GUARANTEE AMENDMENTS

Thank you for the opportunity to provide a submission on the exposure draft of the proposed changes to the National Electricity Law that would implement the National Energy Guarantee (Guarantee). This submission is made on behalf of Australia's aluminium industry.

Substantial effort has been extended to get meaningful input from stakeholders and impacted parties despite the Guarantee being developed under significant time constraints.

We note that the proposed changes to the National Electricity Law are only part of a legislative package that will be needed to implement the Guarantee. Implementation will also require Commonwealth legislation, and changes to the National Electricity Rules.

Even under this scenario it would have been essential to see more of the package before comprehensive comments could have been provided. However, this has been compromised by a series of formal and informal proposals to adjust the design; and then further compromised by the apparent withdrawal of the Commonwealth Government's support for all or part of the proposed design.

The Council acknowledges that these factors are beyond the control of the Energy Security Board. However, it also limits the ability for the Council to analyse the impact of the overall design. Accordingly the comments provided in this submission should be considered preliminary and we would expect a more comprehensive consultation process if, and when, a more settled final design is reached.

Emissions Objective

The legislative amendments propose to introduce an emissions objective to 'contribute' to the current national electricity objective (NEO). Given the importance of the NEO in ensuring that the electricity market operates in the best interest of consumers, it is critical

that this issue be more fully explained and consulted on before implementation, to avoid mis-directing or diluting the NEO.

Penalties

The scale of penalties proposed for a breach of emissions reduction, or reliability, requirements (including cost of recovery of provider of last resort) are excessive and out of proportion to penalties for other breaches within the National Electricity Law.

Scaling to allow for the EITE exemption

We are concerned that the scaling factor applied after the EITE load has been deducted from the retailers non-EITE load may be interpreted as the EITE exemption not providing a full exemption from the emissions requirement. We believe this is specifically not the intention. This can be addressed with the order in which the calculation for exemption is done so that rather than deducting the EITE load before scaling, the full retailers load is scaled and the EITE exemption is scaled and then deducted. While the calculation delivers the same result, the interpretation of what is covered by the EITE exemption is potentially different.

Triggering the reliability requirement

Consistent with our previous submission (on the reliability options) supporting the retention of a T-3 trigger before the reliability requirement could be triggered, we similarly recommend the removal of sections of the proposed changes that would allow the reliability requirement to be triggered (at T-1) without first being forecast at T-3.

Grandfathering existing contracts

The Council has consistently highlighted the importance of grandfathering existing contractual arrangements as meeting the reliability requirement of the Guarantee. We acknowledge that the design, and now the proposed amendments, have allowed for this eventuality. However, giving effect to this intent is to be done through the National Electricity Rules, and we indicate a strong interest in discussing how this will be done; to ensure that the policy intent is achieved with minimal unintended consequences.

AER procedures and guidelines

We note that the proposed changes require the Australian Energy Regulator (AER) to make certain procedures and guidelines. Regulated entities will be required to comply with these procedures and guidelines, but the development of them will not necessarily be subject to the processes that would apply to legislation or the National Electricity Rules. We recommend that these elements be brought in through the National Electricity Rules to ensure they are developed with the appropriate level of rigour and consultation.

Thank you again for the opportunity to comment on the exposure draft of the proposed changes to the National Electricity Law that would implement the National Energy Guarantee (Guarantee). I am happy to provide further information on any of the issues raised in this letter.

Yours sincerely



MILES PROSSER

EXECUTIVE DIRECTOR

AUSTRALIAN ALUMINIUM COUNCIL

T 02 6267 1800

M 0429 923 605

miles.prosser@aluminium.org.au