

Submission to the COAG Energy Council's Energy Security Board Post 2025 Market Design.

Sept 2019

I write as a private citizen, without the influence, authority or gravitas of a large organisation, lobby group, University or Gov department. However I also write as an energy expert with over 20 years of experience across various sectors spanning energy efficiency, generation, procurement, policy and in all aspects, engineering.

Most importantly, I write as a concerned father, uncle, football coach and mentor to younger people. Young people who ultimately will be the ones to bear the consequences of their elders' mistakes. I write from a position of professional objectivity, but only because I happen to be at my desk. In truth, I write to send an impassioned, emotional message to those responsible for the regulation of this great nation's energy sector.

I write as someone deeply concerned for the natural environment and of course the impact that our energy regulation will have upon that environment. Many in one side of politics will automatically turn away at this juncture. At hearing that I am concerned about global warming and the future that awaits younger generations. They will claim my voice is partial, subjective, biased even, and certainly not worthy of consideration in this important review of energy market regulation. However it is precisely because of the insidious and all-pervading nature of climate change, that it must be taken into account in important policy and regulatory frameworks. That our energy market and distribution regulations don't currently address global warming clearly and effectively is an undying disgrace and symptomatic of the way Australian politics has never truly accepted the reality of climate science, or the need to take a leadership role in carbon abatement. Why a leadership role? Because we are one of the wealthiest, most privileged nations, and now an unlikely leader in the Anglosphere, whether we like it or not, given the behaviour of our lingual compatriots. Because we are one of the highest greenhouse gas emitters on earth and hence have a responsibility to help, rather than sit on the sidelines and point fingers at other nations. Because whilst some Australian politicians think that our so called blessings of coal & gas deposits mean we are fools not to extract those resources and flog them to anyone who dares, the simple truth is that we're truly blessed with the most abundant renewable energy resources and we're truly fools not to take full advantage of those.

To get specific, my primary proposal is that a re-write of energy market regulation should clearly be targeted not only at energy reliability, competitive fairness and consumer fairness, but that the overarching position of the regulatory framework addresses the need to support distributed generation, allow settlement terms and bidding procedures which don't disadvantage renewable generation and importantly, demand management and load shedding. For at least a temporary period, if not indefinitely, regulations should even provide advantage to renewable generation and demand management in order to assist in meeting our climate responsibilities.

If I were forced to simplify, analyse and consolidate I'd propose three pillars as a strong basis for an ongoing energy market structure.

Security:

The buzzword of Australia' energy sector since climate science deniers have pretended to be able to contribute fairly to this policy area. The important message here is not to allow those

with vested interests to place 'security' in opposition to environmental sustainability. There is a clear and concise corollary between energy security and broad scale distributed generation with multiple sources (preferably renewable). Centralised generation exposes the grid to attacks on large generators, impacts from industrial action, impacts on distribution (a la when South Australia's storms dropped distribution lines) and impacts from fossil fuel supply. Regarding the latter, obviously no supply problems exist with renewable generation (possibly excepting biomass) especially given a globally warmed future will probably deliver more wind and possibly more solar insolation in various areas.

Fairness:

A concept increasingly overlooked and frequently abused by politicians of all walks. A number of community and energy-user groups are doing great work in lobbying for market regulation which doesn't simply benefit the large retailers, generators and gen-tailers. Whilst fairness obviously extends to how the energy market impacts businesses who compete within it, the overwhelmingly important aspect of fairness is to ensure consumers are not being abused and confused by participants who's unyielding quest for profit comes before fairness or indeed truth.

Fairness especially needs to be considered in the private PPA and private contract markets for electricity and gas. If these private (and frequently secret) deals adversely impact other market players, the Australian public or our environment, then these deals require more careful regulation. Use of non-public (i.e secret) PPAs as hedges to offset deliberate losses which affect competition would be an example of how market fairness should be improved. Such behaviour is a form of collusion and should not be left to the ACCC to reveal and deal with.

Sustainability:

Clearly my key proposal is to ensure that environmental sustainability is included as a primary pillar within the energy market regulations. To suggest that environmental sustainability is independent of well run wholesale, retail and other markets is simply being ignorant or deliberately deceptive. Given what we now know regarding climate science, the direct impact of energy markets upon our broader society and upon our environment, it means that these regulatory frameworks simply must be tied into climate and energy policy. If only our national government had one of the latter.

Nonetheless, sustainability should also be applied to the business models of energy market participants. Overlapping with 'fairness' and 'security', fairness within energy regulations needs to ensure that market participants will not be overly adversely affected when disruptions to the market and regulatory system occur. Energy markets within which companies regularly fail are not likely to be stable or to provide the nation a bedrock for sustainable prosperity and dare it be written; growth.

The three categories above are proposed to form the pillars of a new approach to energy market regulation. However a critical sub category is the familiar conflict between state and private ownership of energy assets. This important aspect could be argued to fall into any of the above categories.

In the great state of Victoria, a former premier thought it would be wise to privatise our distribution and transmission assets. At the time, as at all times state assets are sold, there were pundits supporting either path. However consider the very nature of energy. In scientific terms it could be said

to be “the ability to do work”. Taken literally, this means that the ability for many Australians to “do work”, is resting in the hands of private corporations, many of whom are part or wholly owned by foreign shareholders, or indeed foreign governments. In the great wisdom of hindsight, does this seem wise?

Distribution and transmission are natural monopolies which cannot be expected to have proper competition, ever: Unless some truly revolutionary technology appears soon. We tried to regulate the heck out of our distribution businesses but that really didn't seem to work too well given the number of experts who blame overinvestment in distribution assets for high power prices. I'll let the politicians and economists fight that one out. Importantly, there is a prima facie argument that the natural monopolies of transmission and distribution should not be in private hands, any private hands. I'll not go so far as to propose half-way solutions analogous to public transport, whereby poles-wires are owned by citizens but operated by private companies on fixed term contracts. Importantly there are many ways in which current monopolies could be changed to provide the best outcomes for all Australians; including those who don't yet vote!

To end, I'll make no apologies for my submission being very high-level, and in not addressing various particular details such as

- settling periods,
- demand-management bidding into wholesale markets,
- generation-retailer independence or
- market manipulation affecting competition.

I'd love to provide detail on many other aspects of energy policy however my readers patience is likely at risk.

Kind regards

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