

Submission – National Energy Guarantee (NEG) Draft Design Consultation Paper

About Us

The Queensland Council of Social Service (QCOSS) is Queensland's leading force for social change, working to eliminate poverty and disadvantage. We represent the interests of people on low-incomes and those experiencing poverty and disadvantage, and are the peak body in Queensland for the community services sector. With more than 600 members, QCOSS undertakes informed advocacy and supports a strong community service sector in Queensland. QCOSS focuses on providing effective policy advice, working to strengthen responsive community services and having productive partnerships with government, private sector and the community sector. This work is done with a Queensland free of poverty and disadvantage front of mind.

QCOSS has a strong interest in developments in the electricity sector because, unlike many other regulated industries, electricity is an essential service that households rely on every day. It is essential for lighting, hot water, food preparation, washing and cleaning, communications, and heating and cooling. Having access to these things in the home in turn supports people to participate in employment, education and social interaction. QCOSS therefore considers it is critical that electricity is affordable and accessible to all Queenslanders.

Introduction

QCOSS thanks the Energy Security Board (ESB) for the opportunity to provide a submission to the *National Energy Guarantee Draft Design Consultation Paper*. This is an important consultation, as it represents a major change in policy direction and energy system design. In providing this submission, QCOSS would like to add our support to the submission made by ACOSS, and in particular their key principles in designing an emissions reduction mechanism for the electricity sector.

We would like to emphasize particular areas of both concern and support to the NEG. We are concerned that the proposed NEG is a new and unproven mechanism. Without similar mechanisms to learn from, strong protections such as concessions and rebates, for low income and vulnerable consumers need to be in place to mitigate risk to those consumers. For these households, energy costs are already a greater proportion of their income, and they have paid disproportionately more for government policies such as the Solar Bonus Scheme as the costs are smeared across all bills. For new policies such as the NEG, where there is some risk of higher prices (for example due to increased compliance and regulatory costs) it will be important to ensure that there are fair mechanisms for cost pass through, such as governments carrying the cost through consolidated revenue (as Queensland currently does for its feed in tariff), and mechanisms to counter disproportionate costs to people on low incomes and customers experiencing disadvantage. Energy is an essential service. The needs of low income and vulnerable households should be embedded in the mechanism – consumers should not be penalised if they cannot or chose not to be engaged.

Emissions Guarantee

Climate change is a social justice and equity issue that urgently needs to be addressed. QCOSS strongly supports economy wide reduction of GHG gases and achieving the goals of the Paris Agreement as a minimum, limiting warming to well below 2 degrees and pursuing a limit of 1.5 degrees C. We acknowledge that the transition is already occurring, and that it needs to be a fast and fair transition. Communities experiencing disadvantage often contribute less to emissions, but nonetheless suffer the most from climate change impacts and are less able to afford new technologies, including solar, or even access to digital technologies assisting emission reductions.

Federal Government

We note that much of the following is under control of the federal Government; we ask the ESB to adopt the recommendations in ACOSS submission to this consultation paper and make representation to the Federal Government to improve the emissions reduction outcomes.

The ESB acknowledges that continuing uncertainty in key energy policies has led to underinvestment in clean technologies. Australia has had ample opportunity to address both affordability and climate issues, but has been held back by inaction at the Federal level. We consider the NEG to be the least favoured option compared to both the Clean Energy Target (CET) as proposed by Finkel, or an Emissions Intensity Scheme (EIS).

Of concern is that the emissions target of 26% on 2005 levels by 2030 is too low to achieve the Paris Agreement target, and that the Emissions Guarantee does not allow the electricity sector to contribute equitably to national targets. Not all sectors have the same capacity to contribute equally to the national target. Our position is that the energy sector can and should do heavy lifting, as it already has technology options and pathways available that other sectors do not, while not adversely affecting vulnerable communities and individuals. Spreading the national target across all sectors will place unfair and unnecessary burden on other sectors, and potentially lead to other cost burdens for essential services such as food.

Having targets set too low in the near-term will lock in old technologies at a time where we need a target for a net zero economy, will lead to higher costs when we progress to more stringent scientifically based targets and may leave us with stranded assets.

We do not support the use of external offsets to achieve the emissions guarantee, nor do we support exemptions for emissions-intensive trade-exposed (EITE) activities or industries. Both of these options may add unfair costs to consumers. Offsets are likely to become more expensive in the long term and will reduce the amount of actual renewable energy being installed. As the NEG aims to both increase investment in renewables and put downward pressure on costs, their inclusion would indicate the NEG is failing in this regard. These costs are often smeared across all consumers, having a disproportionate impact on low income and vulnerable consumers. Offsets should be left for other sectors facing more difficult options for emission reductions.

We also feel the 5-yearly target setting is inadequate. We understand the need for certainty, and therefore support a more flexible 5-yearly rolling target to allow flexibility to changing policy circumstances, and guarantee such targets going forward (i.e. they cannot be reduced in later years). We also do not support including state based targets and green schemes in the NEG targets. Such green schemes are one way consumers can engage in the transition and are by their very nature voluntary and additional. This right should not be removed. QCOSS supports maintaining the additionality of green schemes.

Reliability Guarantee

At a high level, we are extremely concerned that the reliability component is itself unnecessary in light of existing reliability standards, leading to extra costs due to unnecessary investment via the reliability guarantee and that this may never or rarely be called upon. Reliability is also more the remit of networks and generators and this component of the guarantee should fall on generators' shoulders, as recommended by Finkel. Reliability issues due to increased renewable energy, may be managed, if needed, through a small percentage of synchronous renewable generation such as Concentrated Solar Thermal, and other services such as frequency response. The reliability guarantee, if included, needs to be simple and not lead to increased costs to consumers, especially if cost recovery is to be smeared across all consumers.

If a reliability guarantee is implemented, QCOSS would like to see a mechanism that is highly visible and transparent to those consumers who can and wish to remain engaged, while maintaining consumer protections to consumers who do not wish, or can't be engaged.

Protection for Low income and vulnerable consumers

Due to the untested nature of the NEG, targeted measures are needed to improve energy affordability for people living on low incomes and experiencing disadvantage. These may include a review of concessions and rebates for low income and vulnerable energy consumers. We also note that we are awaiting the outcomes of the ACCC Retail Price Inquiry that may recommend support for low income and vulnerable consumers.

QCOSS is concerned that while competition through a range of contracts may reduce costs to consumer, the complexity may also exclude some customers. QCOSS would like to see that contracting remains highly visible and transparent to those consumers who can and wish to remain engaged, while maintaining consumer

protections to consumers who do not wish, or can't be engaged. QCOSS has undertaken a range of projects to engage these consumers in the energy market and recommends that further work is done in this area.