



COAG  
Energy Council

# ENERGY SECURITY BOARD Strategic Energy Plan

Consultation on proposed metrics  
November 2018

## 1. Purpose

The Energy Security Board (ESB) is seeking stakeholder views on whether proposed metrics to assess the outcomes and objectives of the Strategic Energy Plan (objectives and associated metrics are set out at **Attachment A**) are suitable.

## 2. Consultation timetable

The ESB invites comments from interested parties on the proposed metrics set out in this paper by **28 November 2018**. Feedback received will inform the ESB's advice to the COAG Energy Council on the Strategic Energy Plan in December 2018.

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Submission close date	28 November 2018
Lodgement details	Email to: <a href="mailto:info@esb.org.au">info@esb.org.au</a>
Naming of submission document	[Company name] Consultation on proposed SEP metrics.
Late submissions	Late submissions will not be accepted.
Publications	Submissions will be published on the COAG Energy Council's website, following a review for claims of confidentiality.

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## 3. Background

The *Independent Review into the Future Security of the National Electricity Market* (the Finkel Review) recommended<sup>1</sup> that, by mid-2018, the COAG Energy Council (Energy Council) develop and maintain a Strategic Energy Plan for the National Electricity Market. The purpose of the Strategic Energy Plan is to ensure a clear strategic focus for the Energy Council's work and to provide clarity of direction to market bodies and market participants.

In the Energy Council's report to COAG in November 2017, it was agreed that the Energy Council would develop the Strategic Energy Plan in consultation with the ESB to improve clarity and direction for market bodies and participants in the transitioning energy system. The Energy Council will review the Strategic Energy Plan every 12 months.

It is proposed that the ESB's annual *Health of the National Electricity Market* report will assess progress against the Strategic Energy Plan each year. The Strategic Energy Plan is also intended to form the basis of the Statement of Expectations and Roles for each of the market bodies.

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<sup>1</sup> Finkel Review Recommendation 7.1

## 4. Strategic Energy Plan

The Strategic Energy Plan has been informed by the Finkel Review blueprint, the AEMC's 2017 Strategic Priorities as well as input from the individual market bodies.

The Strategic Energy Plan consists of five high-level outcomes each supported by a number of key objectives. The outcomes and objectives have been considered and approved in-principal by the Energy Council.

Each objective will have a series of metrics to determine progress towards achieving the outcomes and objectives of the Strategic Energy Plan. **The draft metrics contained in this document are a work in progress and are illustrative at this stage. These draft metrics are the subject of this consultation.**

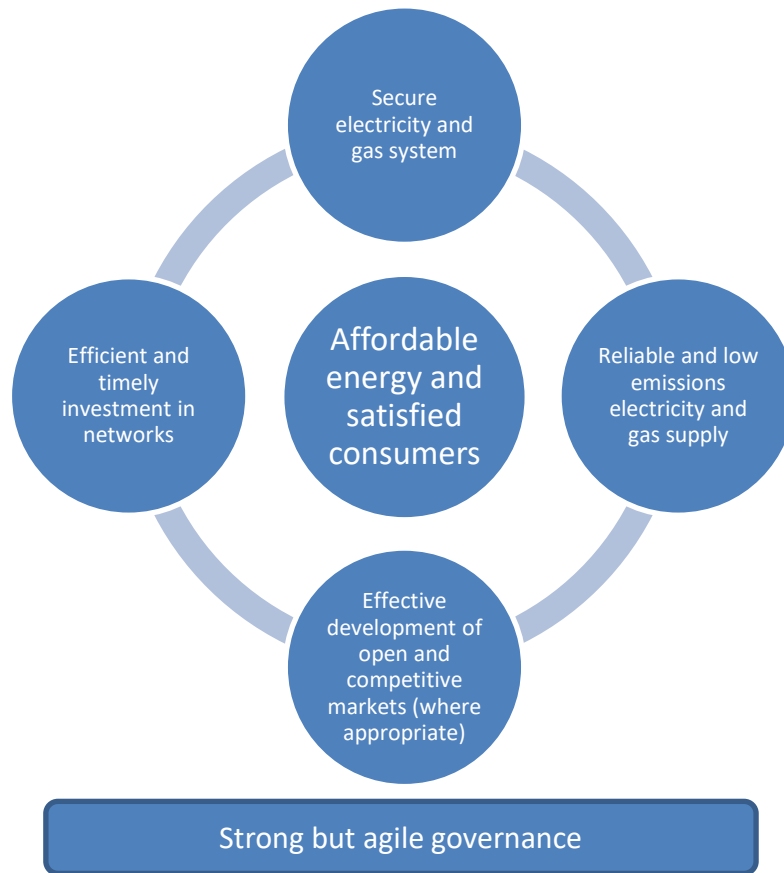
The full list of actions/tools necessary to deliver the goals and objectives of the Strategic Energy Plan will continue to evolve but will initially include the agreed recommendations of the Finkel Review and the ACCC's Retail Electricity Pricing Inquiry as a subset of the actions/tools necessary to deliver the Strategic Energy Plan. The list of action/tools have not been included at this stage.

### Architecture of the Strategic Energy Plan



The Strategic Energy Plan consists of five high-level outcomes to ensure consumer confidence in Australia's energy system and are broadly aligned to the Finkel Review blueprint. Affordability and consumers are at the heart of the five outcomes, each of which are underpinned by strong but agile governance.

## Strategic Energy Plan: Outcomes to ensure confidence in Australia's energy system



As noted above, each outcome also includes a series of objectives (these are set out at **Attachment A**).

It is of critical importance to the Energy Council and the ESB that these outcomes and objectives are translated into tangible metrics that will enable the success (or otherwise) of the Strategic Energy Plan to be measured and articulated.

This will enable progress in achieving the stated objectives to be tracked and evaluated so that the actions/tools necessary to deliver the Strategic Energy Plan can evolve and be targeted to the problem.

The objectives and proposed evaluation metrics are outlined in **Attachment A**. The ESB is seeking stakeholder comment and feedback on the proposed evaluation metrics.

### Consultation question

What are stakeholders' views on the proposed evaluation metrics outlined in Attachment A? Are there more preferable metrics, and why?

## Attachment A: Objectives and proposed metrics

Outcome: affordable energy and satisfied consumers	
<i>Objectives</i>	<i>Proposed metrics</i>
<b>Energy is increasingly affordable for all consumers, supported by adequate consumer protections and access to dispute resolution</b>	<ul style="list-style-type: none"> <li>• Reduction in energy spend as a % of household disposable income</li> <li>• C&amp;I customers' energy costs are competitive with international counterparts</li> <li>• X% consumer disputes/complaints resolved by retailers/ombudsman schemes</li> </ul>
<b>Consumers are empowered to manage their demand and can access distributed energy and energy efficiency solutions</b>	<ul style="list-style-type: none"> <li>• Increase in consumers accessing data related to their energy usage</li> <li>• Increased participation in wholesale demand response or energy efficiency programs year on year</li> </ul>
<b>Consumers are able to easily identify and secure the best deal for their circumstances</b>	<ul style="list-style-type: none"> <li>• Increasing percentage of consumers on better/best contracts</li> <li>• Increasing number of consumers using energy data and analytic tools (EME, switching sites, flipper sites) to make energy decisions</li> <li>• Consumers can switch retailers in “five clicks” or less and will be changed to their new provider in less than 2 business days</li> </ul>
<b>Vulnerable consumers are on suitable pricing plans, receiving concessions when needed, and can benefit from distributed energy and energy efficiency schemes</b>	<ul style="list-style-type: none"> <li>• 100% of vulnerable consumers on better/best market contracts</li> <li>• Clear hierarchy of easily accessible support and concession measures available for vulnerable consumers</li> <li>• Energy efficiency, solar and/or storage programs implemented in public housing where cost efficient</li> </ul>

**Outcome: Secure electricity and gas system**

<b>Objectives</b>	<b>Proposed metrics</b>
<p><b>Markets operate safely, securely and efficiently, under full range of operating conditions, with minimal intervention</b></p>	<ul style="list-style-type: none"> <li>• Electricity market operates within power system security standards (frequency operating standard) and technical requirements (voltage, temperature, current limits)                             <ul style="list-style-type: none"> <li>○ Market operated in secure state for greater than X% of time each year</li> <li>○ System wide outages (aggregation of network and any generation related) less than X% per year</li> <li>○ System interventions &lt; X per year</li> </ul> </li> <li>• Gas system operates securely within technical operational parameters</li> </ul>
<p><b>System planning and development is informed by clear and transparent rules</b></p>	<ul style="list-style-type: none"> <li>• Measurable progress against a roadmap setting out development and implementation of solutions to identified system and market issues</li> <li>• Review of National Electricity Rules conducted by ESB by 1 July 2020</li> <li>• Establishment of the Cyber-Security Framework and implementation for high and medium risk participants within established timeframes</li> <li>• Adaptation processes are in place to upgrade energy infrastructure to deal with increasingly severe weather events and cyber-security risks</li> </ul>

**Outcome: Reliable and low emissions electricity and gas supply**

<b><i>Objectives</i></b>	<b><i>Proposed metrics</i></b>
<b>Electricity and gas sectors efficiently deliver at least their share of emissions reduction target/s while ensuring reliable supply</b>	<ul style="list-style-type: none"><li>• Electricity and gas sector emissions reduce in line with the sectors' share of national emission reduction target/s</li><li>• Reliability standard achieved</li><li>• Annual reduction in number of times RERT procured and activated</li><li>• Development of, and then maintenance of or improvement in, key metrics:<ul style="list-style-type: none"><li>○ Strategic reserves</li><li>○ Flexibility and dispatchability</li></ul></li></ul>
<b>Investors efficiently manage risk to support investment, operation, retirement and innovation decisions</b>	<ul style="list-style-type: none"><li>• Accurate and transparent market information on forecast demand, generation investment and generation withdrawal to inform market participants (and potential participants)</li><li>• Average forward swap and cap contract prices for electricity in line with the efficient levelised cost of energy</li><li>• Cost of capital for new electricity and gas market investments are competitive with international standards</li><li>• All market participants comply with any rules around notice of closure</li></ul>

<b>Outcome: Effective development of open and competitive markets (where appropriate)</b>	
<b><i>Objectives</i></b>	<b><i>Proposed metrics</i></b>
<b>Wholesale and retail markets are competitive and deliver efficient outcomes for consumers</b>	<ul style="list-style-type: none"> <li>• Retail and wholesale prices over time (contract and average spot) reflect the long run marginal cost of producing electricity and gas</li> <li>• Market concentration continues to decline across all regions</li> <li>• Reduction in # of customers on standing offers over time</li> <li>• Increase in new market participants year on year</li> </ul>
<b>Deep, liquid and transparent financial markets for electricity and gas and related services</b>	<ul style="list-style-type: none"> <li>• Increase in transparency of contract markets (prices, duration) for products including swaps, caps, PPAs and demand response</li> <li>• Increase in the ratio of traded volumes to demand for the physical product for gas, power and coal over time (establish benchmarks based on other global markets)</li> <li>• Increase in gas secondary trading volumes, for commodity and transportation</li> </ul>
<b>Access to efficiently priced fuel and transport</b>	<ul style="list-style-type: none"> <li>• Increase transparency of metrics on fuel reserves and prices (coal, gas, hydro)</li> <li>• Commodity costs competitive with international spot price less liquefaction or shipping</li> <li>• Increased transparency in gas transport costs</li> </ul>
<b>Innovation is incentivised and enables value from new technologies</b>	<ul style="list-style-type: none"> <li>• Creation of value streams for the efficient delivery of system security services (e.g. inertia, fast frequency response)</li> <li>• Increased uptake of service provision from DSR &amp; DER (volume year on year)</li> <li>• Increased transparency of information and knowledge sharing from proof of concept trials</li> </ul>



**Outcome: Efficient and Timely investment in Networks**

<b><i>Objectives</i></b>	<b><i>Proposed metrics</i></b>
<p><b>Investment solutions are optimal across all resources</b></p>	<ul style="list-style-type: none"> <li>• Congestion levels are not material or are being examined through RIT-T/Ds</li> <li>• Reduction in market impacts (costs) of inter- and intra-regional constraints</li> <li>• X% of smart meter customers on cost reflective network tariffs by jurisdiction</li> <li>• Reducing generation connections times from project commitment</li> <li>• ISP/RITs consider non-network solutions and investments are undertaken where in customer benefit</li> </ul>
<p><b>Efficient regulation of monopoly infrastructure</b></p>	<ul style="list-style-type: none"> <li>• Cost of capital for new network investments in line with international standards</li> <li>• Development of, and then maintenance or improvement in, performance and productivity metrics on regulated networks - e.g. network productivity, utilisation, affordability, reliability, customer engagement and/or connection</li> </ul>
<p><b>Networks incentivised to be efficient platforms for energy services</b></p>	<ul style="list-style-type: none"> <li>• Increased integration of distributed energy resources in distribution networks</li> <li>• Increased transparency in prices and obligations for distributed energy resources connecting and using the distribution network</li> <li>• Time taken to consider and process rule changes and regulatory approvals in line with best practice international regulatory processes</li> </ul>

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