



COAG
Energy Council

ENERGY SECURITY BOARD CONSULTATION PAPER

Strategic Energy Plan draft metrics
February 2019

Background

The Finkel Review recommended that the COAG Energy Council develop and maintain a Strategic Energy Plan for the NEM. 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. The Strategic Energy Plan is intended to form the basis of the Statement of Expectations and Roles for each of the market bodies.

The ESB presented a draft Strategic Energy Plan to Energy Council in October 2018. The outcomes and objectives have been considered and approved in-principle by the Energy Council. 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 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. Each outcome has a number of objectives which will enable the outcomes to be achieved. The Strategic Energy Plan outcomes are shown in Figure 1.



Figure 1: Strategic Energy Plan: Outcomes to ensure confidence in Australia's energy system

The Strategic Energy Plan informs policy direction over the next five years, it does not replace or subvert either the National Electricity Objective or the National Gas Objective in decision making.

Strategic Energy Plan Metrics

It is essential that tangible metrics which track progress against the Strategic Energy Plan are identified and agreed. This will enable problems to be identified and suitable actions to be designed. It is intended that the ESB's annual *Health of the NEM* will report against the agreed metrics.

The ESB undertook initial consultation on draft metrics in November 2018. Stakeholders were strongly supportive of the intent of the Strategic Energy Plan and the need for metrics to track progress. However, there was significant concern about how the metrics might be used and most stakeholders felt that further consultation was required. In particular, many stakeholders emphasised that metrics should be neutral and not include implicit or explicit targets for success.

In response to this initial feedback, the ESB has developed a revised set of draft metrics which are presented at **Attachment A**. The ESB seeks stakeholder feedback on these revised metrics. The ESB's preference is that the list of final metrics be fewer than the list of draft metrics.

Consultation question

What are stakeholders' views on the draft evaluation metrics outlined in Attachment A? Are there preferable metrics to measure progress against the Strategic Energy Plan objectives?

Are there any metrics which stakeholders think are of lesser significance and could therefore be removed?

The ESB emphasises that the metrics are not intended to act as implicit goals or targets in and of themselves. Rather, they are intended to act as a transparent and independent set of measures by which progress (or otherwise) can be measured and reported on a consistent and replicable basis.

In developing the draft metrics the ESB has considered:

- **Accuracy.** Metrics must provide an accurate measure of progress against a stated objective.
- **Data availability.** It is ESB's intention to use existing data sources and reporting processes wherever possible.
- **Neutrality.** Metrics should not implicitly favour a specific technology or market direction unless already proven to be addressing a clear long-term problem.
- **Replicability.** The ESB has a preference for objective and replicable metrics. Qualitative assessment will be used in some cases where a quantitative metric is not available or not appropriate.

In all cases, it will be important to consider metrics within the broader context of a rapidly changing energy market. Given the interdependencies in the energy sector, a change in a particular metric year on year could be a result of a range of external factors and may not necessarily represent an improvement or worsening in circumstances. For example, an increase in the number of electric vehicles would likely increase household expenditure on electricity, increasing the metric “energy spend as a % of household disposable income”, but this does not necessarily imply a worsening in affordability. In reporting against the metrics, assessing the reason for change will be as important as assessing the direction of change.

Consultation timetable

The ESB invites comments from interested parties on the draft metrics set out in **Attachment A** by **8 March 2019**. Feedback received will inform the ESB’s advice to the COAG Energy Council on the Strategic Energy Plan metrics.

Submission close date	8 March 2019
Lodgement details	Email to: info@esb.org.au
Naming of submission document	[Company name] Response to Strategic Energy Plan draft 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.