



Climate Change Authority
GPO Box 787
Canberra ACT 2600

1 May 2017

Re: Joint advice on power system security, electricity prices and emission reductions

We thank the Commission and the Climate Change Authority for the opportunity to provide a submission on power system security, electricity prices and emission reductions. Our organisations have published a large volume of research related to these issues and in particular, we refer you to the reports we have attached as an Appendix to this submission.

We have extensively considered the nexus between energy and climate policy and we firmly believe that an emissions intensity target is an essential mechanism for the most efficient outcomes in accordance with the National Electricity Objective (NEO). In this context, we support the recommendations of the Commission in its Final Report on Integration of Energy and Emissions Reduction Policy.

In relation to the NEO, we strongly maintain that it is not appropriate to add emission reductions in to the objective **without vastly impacting negatively on electricity prices**. Including emissions in the NEO would necessitate the inclusion of social policy objectives as a matter of course. We believe this would make the functioning of the energy market overcomplicated and add unnecessary costs. Complementary energy policy and other objectives such as emission reductions and social benefits can just as easily, and with more transparency, be achieved through traditional arrangements underpinned by functioning governance arrangements such as COAG Energy Council

Our preference for addressing the governance issues associated with the current system is to fully implement the recommendations of the 2015 Vertigan, Yarrow and Morton Review of Market

Governance Arrangements and in particular, providing for the Commission to have an enhanced strategic capacity in concert with COAG Energy Council.

In terms of the immediate and long term system security issues currently impacting most severely in South Australia but of long term consequence for the NEM, we caution against knee jerk responses to the issues emerging as a result of an energy market in transition. In our various capacities, we are deeply engaged in the AEMC's System Security Frameworks Review and we fully support the directions and processes of this Review in terms of identifying the most efficient solutions to deliver system security across the NEM.

Further, we believe there is an urgent issue that must be addressed when considering the above trilemma, which is cost allocation of system security and emission reduction measures. In this context, we draw attention to the recent St Vincent de Paul Society and Oakley Greenwood reports¹, which clearly demonstrate the inequities in the current cost allocation arrangements. We believe that as a matter of priority, 6.1.4 of the NER needs to be amended to ensure that injections in to the NEM are appropriately charged as per the ongoing recommendation of St Vincent de Paul.

We thank you for consideration of our comments. If you have any questions, please contact Mr Gavin Dufty, Manager Policy and Research, St Vincent de Paul via gavind@svdp-org.au or Ms Jo De Silva, Senior Policy Officer, SACOSS via jo@sacoss.org.au.

Yours Sincerely,



Gavin Dufty
Manager Policy and Research (St Vincent de Paul)



Ross Womersley
CEO (SACOSS)

¹ Oakley Greenwood (2017) *Causes of residential electricity bill changes in Victoria, 1995 to 2017*; St Vincent de Paul (2017) *Victorian Energy Prices January 2017*

Appendices

Appendix A

St Vincent de Paul (2017) *Victorian Energy Prices January 2017* at

https://drive.google.com/file/d/0B_DuyG_B91AATTNoNGxLYTliWDA/view

Appendix B

South Australian Council of Social Service (2017) *Looking Around the Corner: A Discussion on Current*

South Australia Power System Risks at <https://www.sacoss.org.au/looking-around-corner-discussion-current-south-australian-power-system-risks>