

13 May 2020



Chair
Independent Review of the Energy Security Board

24-28 Campbell St
Sydney NSW 2000
All mail to
GPO Box 4009
Sydney NSW 2001
T +61 2 131 525
ausgrid.com.au

Submitted online

Dear Chair,

Thank you for the opportunity to contribute to the Independent Review of the Energy Security Board (ESB). This is an important governance review given the significant number of reforms currently underway across the National Energy Market (NEM).

Ausgrid owns and operates a shared distribution grid that stretches from southern Sydney to the Upper Hunter Valley, including the Sydney CBD. Our network supports over 20 percent of the national gross domestic product and supplies over 4 million customers every day.

Our submission provides views on several issues raised in the ESB Review Terms of Reference. To date, the ESB has made a significant contribution, providing advice to the Council of Australian Governments Energy Council (COAG Energy Council) on key issues affecting the national electricity market and helping coordinate action to tackle those risks.

Performance against the ESB scope of responsibility

Both the 2015 Vertigan Review and the 2017 Finkel Review concluded that institutional arrangements prior to the establishment of the ESB were 'fragmented'. The Vertigan Review considered that there was a 'diminished sense of common purpose', while the Finkel Review considered that the existing institutional arrangements would not be able to effectively coordinate the actions of market bodies in a rapidly changing market.

While the ESB has successfully overseen implementation of most of the Finkel Review recommendations, it is in other areas that Ausgrid considers most of the ESB's value has been realised. The appointment of an independent Chair and Deputy Chair has brought an outside perspective and a 'fresh set of eyes' to the work of the ESB. This has ensured that the ESB has been able to identify gaps or emerging issues and take effective action.

For example, on 21 December 2018 the Australian Energy Market Commission (AEMC) received a rule change request from the Chair of the ESB, Dr Kerry Schott, to streamline the regulatory process for two priority projects in the Australian Energy Market Operator's (AEMO) Integrated System Plan. Importantly, the rule change proposal did not remove any steps in the regulatory process but ensured that steps could be taken in parallel. The AEMC made the proposed rule in an expedited timeframe as requested.

Connecting communities,
empowering lives

In our view, the ESB's *Health of the NEM Report* has also provided a useful review of key issues impacting on the NEM. The ESB brings a new perspective to these reports and is willing to provide an objective assessment of existing regulatory arrangements and key emerging risks.

Continuation of the ESB

The Finkel Review recommended that the performance and future of the ESB should be reviewed after a period of three years. This is appropriate given the ESB was initially designed as a temporary body with no permanent staff. The Finkel Review also recommended that the COAG Energy Council should consider including the ESB in any new AEMA and developing legislation to give the new body statutory recognition and acceptance.

In our view, giving the ESB statutory recognition and formally establishing a new energy market body, with all the costs involved, is unlikely to be of clear benefit to customers. However, given the success of the ESB to date and the significant risks that would accompany its disbandment, we would support a continuation of current staffing and resourcing arrangements. We would expect that maintaining the status quo would allow the ESB to continue its coordination role and post-2025 reform program.

If you have any questions regarding our submission, please contact John Skinner, Regulatory Policy Manager at john.skinner@ausgrid.com.au or (02) 9269 4357.

Kind Regards,

A handwritten signature in black ink, appearing to read 'Iftekhhar Omar', written in a cursive style.

Iftekhhar Omar
Head of Regulation