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Energy Security Board Review
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INDEPENDENT REVIEW OF THE ENERGY SECURITY BOARD

Energy Consumers Australia is the national voice for residential and small business energy consumers. Established by the Council of Australian Governments (COAG) Energy Council in 2015, our objective is to promote the long-term interests of energy consumers with respect to price, quality, reliability, safety, and security of supply.

We appreciate the opportunity to make a submission on the Independent Review of the Energy Security Board (the Review).

The Energy Security Board (ESB) has played an important leadership and coordination role in the National Energy Market since it was established in 2017 to implement the recommendations of the Independent Review into the Future Security of the National Energy Market (Finkel Review).

Energy Consumers Australia supported the creation of the ESB on the basis that whole-of-system leadership was needed to address the complex challenges associated with the energy transition. We continue to believe that a well-resourced ESB with a clear mandate and accountabilities operating within a plan agreed by governments, is a critical part of the institutional framework needed to successfully manage the energy transition in Australia.

We have taken a broad view of the scope of the Review that reflects on both the importance of ESB's role, including in providing specific policy advice to the Energy Council, and the opportunity for the next iteration of the ESB to formally have an extended mandate that goes beyond energy security to leading the next phase of the energy transition. In this context we have not formed a view about a preferred governance arrangement for the ESB, as there are merits in each of a range of options.

Responding to the immediate challenges

Led by Dr Kerry Schott AO as the Independent Chair, supported by Clare Savage as the first Deputy Chair and now David Swift, the ESB has provided a forum for the market bodies – the Australian Energy Regulator (AER), the Australian Energy Market Commission (AEMC) and the Australian Energy Market Operator (AEMO) – to reach a shared view about the challenges facing the system, and then design and implement solutions in a more coordinated way than might otherwise be possible in the National Energy Market's fragmented change framework.

The small team of people seconded or contracted to the ESB have built a reputation for professionalism and competence. In a complicated market where there can be a tendency to focus on process and to find a myriad of ways to step reforms back to the status quo, the ESB has brought a pragmatic, outcomes focus to implementing the Finkel Review recommendations.

Despite challenges associated with the changing nature of the energy system, and extreme weather that has placed significant pressure on the grid, governments and the market bodies – with the ESB playing a central role – have managed to avoid a repeat of the System Black event in South Australia in September 2016. It is always difficult to imagine the counterfactual and assess a scenario where the ESB had not been created and played a role in coordinating the system security agenda. However, it is appropriate that this Review attempt to form a view about the risks that didn't materialise over the past three summers in assessing the effectiveness of the ESB and the role it has played.



The ESB has also implemented Finkel recommendations which improve the accountability in the NEM for consumer outcomes, notably the annual Health of the NEM whole of system report card (rec. 7.6). The ESB also played a key role in developing the Strategic Energy Plan that has been adopted by the COAG Energy Council, which provides a set of organising principles for work over a five-year period (rec.7.1).

From crisis management to orderly transition

The ESB's role has already evolved beyond what its name implies, having been given new tasks by the COAG Energy Council, including to implement affordability-related elements of the Australian Competition and Consumer Commission (ACCC) Retail Electricity Pricing Inquiry.

The next iteration of the ESB should reflect its evolving energy transition task, which goes beyond maintaining the security and reliability of the energy system. That is creating an environment where trusted new energy services can emerge that meet the needs and expectations of Australian household and small business energy consumers between now and 2050 in line with emissions reductions commitments.

A key early change consistent with this new focus would be to rename the ESB as the *Energy Transition Board*. Many of the challenges in the first iteration of the ESB can be described as essentially 'supply side' issues, that is technical, engineering and commercial matters that could be addressed by working with the experts in the incumbent energy businesses. However, an *Energy Transition Board* will need to develop new expertise and engage with a broader range of issues and stakeholders if Australia's energy system is to successfully navigate the next phases of the transition.

We outlined the transition task in detail in our recent submission to the [ESB's Post 2025 Market Design Issues Paper](#), which we will not repeat here, but there are three implications for the ESB which we would highlight.

Firstly, the *Energy Transition Board* will need to build its capability to frame and advise on 'demand side' issues. In a system dominated by zero marginal cost resources, many of which are owned by household and businesses and managed autonomously in an Internet of Things (IoT) world, matters like privacy, terms and conditions for energy services, cyber security and technology standards will become as important as the unit price of energy. Without a new consumer protection framework that deals with these issues, and a safety-net to ensure everyone can access the essential energy services they need even if they cannot afford the technology, the energy transition cannot proceed smoothly or in line with community expectations.

Secondly, the *Energy Transition Board* would also engage more deeply with the institutions that support research and innovation in the new energy services that are needed to emerge to make the market work for consumers. The experience of earlier initiatives such as the *Power of Choice*, shows that changes to rules and regulation are a necessary but not sufficient condition for new energy services to emerge. In the United Kingdom, institutions like the Energy Systems Catapult have been created to bridge the gap between industry, government, and research in relation to supporting business models and services that are experimental or not yet commercially viable.

And thirdly and finally, for the *Energy Transition Board* to develop effective and accepted frameworks – and crucially to build trust – solutions will need to be developed *with* consumers and communities. Research into consumer values and expectations we commissioned in 2019 found that consumers were not only clear in wanting future energy services that were *affordable, clean and smart*, it also found that they also wanted to be part of the dialogue about *how* the energy transition should be managed.



The dialogue in Australia about the energy transition has almost always been conducted in terms that are foreign or removed from the day-to-day experience of households and businesses. Rather than explaining how proposed changes could deliver *better* energy services and outcomes for everybody, the responsible bodies have tended to focus on the fine detail of the mechanism – whether that be a new pricing structure or new piece of infrastructure. Invariably, these initiatives ask something of consumers, whether that is to pay more to manage a risk to the system or even to change their behaviour. What is often left out is a clear commitment or promise from the sector in return for consumers making the change – a reciprocity that reflects a compact between the energy sector and consumers.

The Australian community's extraordinary response to the bushfires and COVID-19, and indeed the structured approach by governments and public health authorities, contains lessons for the energy sector about how it engages with people about the energy transition.

An Energy Transition Board would therefore engage with consumers and civil society about managing the energy transition, particularly in relation to the direction of travel and pace of change. The Post 2025 Market Design Project, which is seeking to build a bigger vision about the future by integrating projects that have up until now been running in parallel (e.g. the Integrated System Plan and the Two-sided Markets) provides an opportunity for this new dialogue.

Thank you for the opportunity to contribute to the review. If you would like to discuss this submission further please contact Chris Alexander, Director of Advocacy and Communications by email at chris.alexander@energyconsumersaustralia.com.au.

Yours sincerely,

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