

13 May 2020

Energystrategicpolicy@industry.gov.au

Dear COAG,

RE: Independent review of the Energy Security Board (ESB)

Hydro Tasmania is Australia's largest producer of renewable energy, and is an active participant and contributor to the energy market reform agenda. We welcome the opportunity to respond to the *Independent review of the Energy Security Board*.

- **Hydro Tasmania has been strongly engaged with the ESB since its creation. We have welcomed the consultation opportunities and accessibility of the ESB through this time.**

The Energy Security Board was established following the recommendations of the Dr Alan Finkel Review into the Future Security of the National Electricity Market. The original recommendation and intent was for the ESB to implement the Finkel Report blueprint on behalf of the COAG Energy Council. Since 2017, the ESB has evolved and it has been given additional focus and priorities. The most critical of these is the Post-2025 NEM Market Design.

- **Hydro Tasmania continues to support the separation of the market operator from the rule maker and the rule enforcer (as represented by AEMO, AEMC and AER). There needs to continue to be delineation between these responsibilities going forward.**
- There also needs to be a **clear, responsive and well-resourced strategic policy capability** within the NEM Governance structures. This can ensure a 'fit for purpose', truly competitive and sustainable energy system.
- The need for this 'strategic policy function' exists in part because of the **significant transition of the sector currently underway**. Given the many competing priorities and requirements on the existing governing bodies, to date, a future oriented NEM framework has not easily emerged. This has necessitated the establishment of the ESB as part of the Finkel Review.
- A **reconfirmation of the mandate and independence of the ESB** is necessary given the many and sometimes complex and competing interests of the different NEM regions.

Noting these key observations, Hydro Tasmania believes that the ESB has been essential and effective in increasing coordination between the Market Bodies. This has promoted a focus on the strategic needs of the NEM as Australia adapts to the global transformation to competitive, low-emissions energy systems. On this basis:

- **Hydro Tasmania supports the continuation of the ESB for a further term (to coincide with the competition and passage of legislation to establish the Post-2025 market design).**
- **We believe that the current structure is appropriate** but that, for clarity, the ESB should have a formalised secretariat that reduces the need for secondments and drawing on expertise from AEMO, AEMC and AER. It may be appropriate that this simply formalises existing secondments

into longer-term contracts, however, it would be likely to assist stakeholders in engaging with the ESB and understanding accountabilities. This would include a **formalised Organisational Chart for the ESB, appropriate budget and resourcing.**

This independent review provides the positive opportunity to review and consider The *Scope of Board Responsibilities* and to provide some further clarification. In regard to this:

- **On ESB Board membership, the structure must retain the representative of each market body, an independent chair and deputy chair with effective secretariat capacity.**
- The ESB's approach of engaging industry and stakeholder interests through representation in **working groups, advisory forums** and through **consultation forums** has been welcome. We strongly believe this approach should be retained.
- Due to the key focus on reliability in 2019/2020 there may need to be **further assessment of the interaction between the ESB and bodies such as the reliability panel** to ensure that existing frameworks can continue to support the work of the ESB.

Hydro Tasmania believes that it is critical the ESB continues to prosecute and govern the review of the Post-2025 Market Design and is given the resources to achieve this.

- **The Post-2025 Market Design should be the primary focus of the ESB going forward. To fulfil this, ESB needs to continue to coordinate the actions of the market bodies in the interim period until a new market framework is established.**

The publication by the ESB of the recent *Energy Security Board outcomes from 23rd Energy Council Ministerial Meeting* was useful and well laid out. It is critical that the ESB continues to communicate the outcomes of COAG Energy Council that are relevant to the ESB.

- **The updated *Scope of Responsibility* for the ESB should formalise its role in summarising and reporting back COAG Energy Council outcomes that impact the ESB's work streams.**

Finally, we believe that when the ESB was established it was appropriate that it was given a 3 year term after which there would be this independent review.

- **The next review of the ESB should occur upon completion and passage of legislation to establish the Post-2025 market design.**

If you would like any further information on any aspect of this submission, please contact Colin Wain (colin.wain@hydro.com.au or (03) 8612 6443).

Yours sincerely,



Andrew Catchpole
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