



22 June 2020

Ms Cris Hickey
Director, Climate Change and Energy Savings Policy
NSW Department of Planning, Industry and Environment

Lodged via email: energysecurity@environment.nsw.gov.au

Dear Ms Hickey,

ENERGY SECURITY TARGET AND SAFEGUARD: CONSULTATION PAPER

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in renewable energy and energy storage along with more than 7,000 solar and battery installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC welcomes the opportunity to comment on the NSW Department of Planning, Industry and Environment's consultation paper on the proposed Energy Security Target and Safeguard.

Energy Security Target (EST)

Implications of the EST

The Government emphasises that the EST is intended to be complementary to the existing National Electricity Market (NEM) reliability mechanisms, namely the Reliability Standard and Retailer Reliability Obligation (RRO). The CEC prefers that reliability arrangements remain consistent across NEM jurisdictions. The Reliability Standard is the primary mechanism to signal to the market to deliver enough capacity to meet consumer demand for electricity. It balances the value consumers place on reliable electricity supply and the overall power system costs associated with achieving a certain reliability level. As such, given the EST effectively represents a tighter reliability standard, it is important that the Government assess whether the EST will lead to cost efficient outcomes for consumers.

The Government should also be conscious that the EST and specifically, the potential for government action if it considers the market is not delivering the target, could crowd out private investment. This is obviously a perverse outcome and should be avoided.

Capacity factors

For variable renewable generators during peak periods, the Department estimates that solar contributes 13 per cent of capacity while wind contributes 10 per cent of capacity. The consultation paper notes that this is based on an analysis of a sample of NSW peak demand periods over the past three summers using the 10th percentile output from existing wind and solar power stations.

The CEC acknowledges that applying capacity factors for wind and solar generators may be appropriate but suggests a more granular approach should be considered. Weather patterns and technological attributes across the state can lead to different capacity factors during peak periods for a single technology. For example, an older wind farm in one part of the state would have a different capacity factor to a newer wind farm in another part of the state during a peak period, particularly as wind levels are likely to be different for these two wind farms at that time.

The Department could consider assigning capacity factors to individual wind and solar power stations rather than having a single factor for each technology. In addition, the methodology for setting these capacity factors should be made transparent and capacity factors should be revised and publicly communicated annually.

Treatment of storage

The CEC notes that the consultation paper does not discuss storage in the section on meeting the target with firm supply. We recommend the Government establish a clear framework for assessing the contribution of storage, including if a capacity factor is necessary. The framework should recognise the firming capabilities from both large-scale storage and aggregated storage assets such as virtual power plants (VPPs).

Should the Government consider action is required to correct a breach of the EST, we recommend it consider storage deployment as a potential option.

Market information on the EST

The Government should ensure a clear and predictable means of providing updates on the EST and any potential consequent government actions. This should include a clear understanding of what is meant by a “material breach of the EST” which could precipitate corrective actions by the Government to address this breach.

To the extent possible, timeframes for the EST should be aligned with those required for the RRO. For example under the RRO, if the Australian Energy Market Operator (AEMO) identifies a material gap three years and three months out, it will apply to the Australian Energy Regulator to trigger the RRO. Under the proposed EST, any government action should probably align with this timeframe in order that it does not adversely impact the market actions intended by the RRO and to allow liable entities under the RRO to consider this action as part of their RRO obligation to enter into sufficient qualifying contracts to cover their share of demand.

Powers to gather information

The consultation paper suggests any entity responsible for a potential, planned or current project that may contribute to meeting the EST could be required to provide information to the register. These entities may include, amongst a number of other entities, generators registered as such by AEMO, intending participants who intend to commence activities as generators and network operators receiving connection requests.

The CEC considers there is a degree of overlap between these different entities that creates the potential for duplication of efforts and could lead to confusion. To avoid this, we suggest AEMO should provide information on registered generators and network operators should provide information on prospective generators (noting for the latter, this is similar to their requirements under the National Electricity Rules as a result of the transparency of new projects rule change that was made at the end

of 2019).¹ For prospective generators, information should only be required for those that have progressed to the connection application stage as these projects are more likely to proceed. Connection enquiries are more speculative in nature and therefore there is no certainty that these projects will proceed. Connection enquiries are also likely to contain project information that is still subject to significant changes, such as nameplate capacity.

The CEC suggests the Government should make clear how notifications to provide information will be communicated and the timeframes to provide this information.

The CEC supports the intention that the register of key projects that would contribute to meeting the EST would be confidential.

Energy Security Safeguard

The CEC broadly supports the proposal to extend and expand on the existing Energy Savings Scheme, in particular through the establishment of a new scheme to support technologies that reduce demand at peak times, including flexible demand response.

In addition to the feedback provided by the CEC and our members during the 10 June briefing with the Department, the CEC would like to provide the following high-level comments on the Energy Security Safeguard:

- We support the idea of a capacity payment to assist with overcoming barriers to enabling capacity while allowing value stacking.
- We agree with the principle that the scheme is not trying to duplicate arrangements with customers.
- We recommend that the payments under the scheme should be made available to VPPs and community-scale batteries on the distribution network.

Thank you for the opportunity to comment on this consultation. If you would like to discuss any of the issues raised in this submission, please contact me as outlined below in relation to the EST and Darren Gladman on (03) 9929 4136 or dgladman@cleanenergycouncil.org.au in relation to the Energy Security Safeguard.

Yours sincerely,



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¹ Australian Energy Market Commission, Transparency of New Projects, Rule Determination, 24 October 2019