



4 June 2018

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Lodged online at: www.aemc.gov.au

Submission regarding ERC0239 – Generator 3 year notice of closure

Dear AEMC,

I write to express broad support by this union for the proposed rule change, but also to indicate that the proposal has benefits beyond those used by the proponent or considered in the AEMC discussion paper. These benefits relate to managing the social and regional impacts of generator closures. It would be in the long term interest of greater coherence and achievability around energy and climate policy if the social and regional impacts of National Electricity Rules was factored into rule-making.

The union supports the key proposals that operators of scheduled and semi-schedule generators state the expected closure date of their generators and be required to give at least three years' notice of such closure. The ancillary proposals around the public reporting of that information is also supported.

The justification for the proposals is limited by the constraints of the National Electricity Objective around security and reliability of supply, and efficiency and price competitiveness in achieving that. The proponent sensibly argues that efficiency in investment requires longer timeframes than may be involved in closure decisions by operators.

The closures of the Playford B, Northern and Hazelwood power stations are used as examples of where investors in the national electricity market had difficulty in replacing the loss of generating capacity due to the short notice of closure that was given.

I note that the AEMC discussion paper at page 13 refers to "the community" being given sufficient time to adequately plan for the change – a reference that does not occur elsewhere in the document. The discussion paper also refers to the termination of employment contracts at page 21 as one of the constraints facing an operator in deciding to decommission a generator. This reference does not appear to be to employment impacts *per se* but rather to the series of contractual and disclosure commitments that a generator faces.

I suggest that the proposed three year rule, and broader public disclosure of the expected closure dates of scheduled and semi-scheduled generating units – coal-fired power stations in particular – will also be useful in enabling mitigation of the substantial employment impacts that will occur in regions significantly dependent on coal-fired power stations and associated energy-intensive industry.

Australia has a number of regions – the Latrobe Valley, Hunter Valley / Lake Macquarie, Lithgow, Rockhampton/Gladstone and Collie – where the workforces associated with power generation and heavy industry are a significant part of the local economy and where their loss will have large adverse impacts.

Australia has a poor record in managing structural adjustment around declining industries. While there have been many programs in the area, they are generally an *ad hoc* response to the social and consequent political upheaval around plant closures and are compromised by that.

While the Victorian Government is now running a substantial program to mitigate the impacts of the closure of Hazelwood power station on the Latrobe Valley¹ (alongside a much smaller Australian Government initiative²) this has occurred only after the announcement of closure and has inevitably struggled to have an early impact in mitigating the adverse impacts.

The Australian Council of Trade Unions and its affiliates have strongly argued that enabling the major power system restructuring that is required to meet climate as well as energy goals will have adverse impacts on particular workforces, communities and regions notwithstanding that the overall benefits may be positive. Unions have argued for Just Transition programs to manage these impacts.³

This is in accordance with the Paris Agreement under the UN Framework Convention on Climate Change, which specifically references the need for Just Transition, and which Australia has ratified.

A three year notice of closure requirement, together with general notice of expected closure dates, does not of itself enable Just Transition at all. But any program to effect Just Transition requires a planning and management framework that is built on knowledge of closure dates.

Australia requires a multi-decadal program to manage not just price, security and reliability of energy under an emissions constraint, but also to manage the adverse consequences of the transition on particular workforces and their communities.

It is a major shortcoming of the current institutional arrangements that these adverse consequences are not being managed. Not only is this unjust and inequitable, it also threatens the achievability of the current narrow NEO goals. Impacts which are not managed have a tendency to become obstacles, of which there is ample evidence from the last 10-15 years of acrimony over climate and energy policy in this country.

¹ <https://www.premier.vic.gov.au/economic-growth-zone-to-boost-latrobe-valley-business/>

² <http://www.minister.industry.gov.au/ministers/hunt/media-releases/government-support-hazelwood-workers>

³ ACTU (2016), Sharing the challenges and opportunities of a clean energy economy: a Just Transition for coal-fired electricity sector workers and communities, Melbourne. <https://www.actu.org.au/our-work/policy-issues/actu-policy-discussion-paper-a-just-transition-for-coal-fired-electricity-sector-workers-and-communities>

The proposed rule change is supported, not because in itself it constitutes an adequate planning and management framework (except as a useful contribution within the narrow goals of the NEO) but because it is a necessary stepping stone towards the broader societal goal of enabling Just Transition.

The union will continue to lobby governments and otherwise campaign for a broader policy framework to achieve Australia's climate and energy objectives.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tony Maher', with a stylized flourish at the end.

Tony Maher
National President