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Lily Mitchell | James King  
Legal Director | Senior Advisor  
Australian Energy Market Commission  
AEMC refs: CRP0159; ERC0376; ERC0362  
Submitted via online portal



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

Dear Ms Mitchell and Mr King

### **Ausgrid response to Draft Guide on amended National Energy Objectives (NEOs)**

Ausgrid is pleased to provide this submission to the Australian Energy Market Commission (**AEMC**) in response to its *Consultation on AEMC guide to applying the emissions component of the national energy objectives (CP1)*. This submission also constitutes Ausgrid's submission to the AEMC's *Harmonising the electricity network planning and investment rules and AER guidelines with the updated energy objectives (electricity) Consultation Paper (CP2)* and *Harmonising the network and pipeline expenditure rules with the updated energy objectives (electricity) Consultation Paper (CP3)*.

Ausgrid operates a shared electricity network that powers the homes and businesses of more than 4 million Australians living and working in an area that covers over 22,000 square kilometres from the Sydney CBD to the Upper Hunter.

The amended NEOs affirm that emissions reduction is an important market benefit to guide the direction of the AEMC's work on rule changes and reviews. We welcome this important reform which sends a clear signal that the policy framework the AEMC administers is committed to facilitating a decarbonised energy system in line with Australia's emission reduction targets.

Ausgrid strongly supports Energy Networks Australia's submissions to the three AEMC consultation papers, including proposed National Electricity Rules (**NER**) drafting amendments and provides further statements of support below.

#### **CP1: We encourage providing more certainty about the process and scope of the target statement in the AER's Final Guidance on applying the NEOs**

We encourage the AEMC's *Final Guidance on applying the NEOs (Final Guidance)* to elaborate on the process and scope for making and updating its target statement. Regulatory decision-makers across the national electricity market (**NEM**) will look to the AEMC's target statement when making determinations on complex matters that may have a significant impact on customers, influence investment decisions that drive decarbonisation, and inform the direction of Australia's pathway towards net zero. The AEMC should provide more guidance on how this new regulatory instrument will work in practice, given its potentially far-reaching implications.

The AEMC's Final Guidance should clarify the level of discretion the AEMC has to include an item on its target statement. The Second Reading Speech for the *Emission Reduction Objectives Bill* indicates that the AEMC's level of discretion may be limited, stating that: 'If either the Ministerial Council on Energy or the minister of a participating jurisdiction gives a written direction to the [AEMC] to add or remove a target from [the AEMC's target statement], it **must** comply with this direction (emphasis added)'.<sup>1</sup> If this is an accurate characterisation, then in the

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<sup>1</sup> [Parliamentary Debates](#), House of Assembly, 14 June 2023, (A. Koutsantonis, Minister for Energy and Mining)

interests of transparency the AEMC's limited discretion in these circumstances should be noted in the Final Guidance.

The Second Reading Speech further notes that the items that can be included on the AEMC's target statement could be targets 'with an explicit objective of emissions reduction or those that are likely to contribute to emissions reductions, such as a renewable energy target or an electric vehicle target'.<sup>2</sup> This indicates that the targets could also extend to electric vehicle enabling infrastructure such as charging facilities or other assets that are likely to contribute to emission reduction like community batteries. The AEMC should clarify the types of assets and infrastructure that it expects could be included in the Final Guidance.

The impact on regulatory decision making from explicit infrastructure targets is also worth consideration. For example, the Commonwealth Batteries for Household Solar program has a target of 400 communities with specific locations and impacts for infrastructure providers, including Ausgrid. The AEMC's Final Guidance should consider the implications of receiving written notice of an emission reduction target that relates to similar infrastructure targets. This should include whether there is scope for an item on the AEMC's target statement to include a level of specificity that it creates a regulatory obligation on a regulated network or other market participants to act or invest in a certain way.

**CP2 and CP3: We support the ENA's submission and proposed NER drafting of the expenditure objectives and criteria and other updates**


We agree that amendments should be made to the rules so that they explicitly incorporate the amended NEOs into the Australia Energy Regulator's (AER) expenditure assessment considerations for electricity networks and gas pipelines. For Ausgrid and other electricity distributors, this would involve amendments to clauses 6.5.6 and 6.5.7 of the NER to allow emissions reductions to be considered in the operating and capital expenditure objectives.

We support the proposed drafting amendment to the NER outlined in the ENA's submission to CP2 and CP3. This includes the proposed drafting amendments to include emissions reductions as a class of benefits to be considered in the Integrated System Plan, Regulatory Investment Tests (RIT) for transmission, and RIT for distribution processes. Adding emissions reductions as a standard class of market benefits via an update to the NER will help drive a consistent approach to valuing emissions reductions across a range of different regulatory decisions impacting customers, network services providers and other market participants.

To reduce the burden on the AER and market participants to amend relevant AER guidelines, we support a rule change process that allows for an omnibus consultation for simple updates that are more administrative in nature. For more complex changes, such as the AER's *Expenditure Forecast Assessment Guideline*, a dedicated single consultation process should be maintained, as recommended in CP3.

If you wish to discuss our submission then please contact Shannon Moffitt, Regulatory Strategy Manager, on 0468 616 512 or [shannon.moffitt@ausgrid.com.au](mailto:shannon.moffitt@ausgrid.com.au).

Regards,



Fiona McAnally  
Head of Regulation (Acting)

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<sup>2</sup> [Parliamentary Debates](#), House of Assembly, 14 June 2023, (A. Koutsantonis, Minister for Energy and Mining)