



Thursday, 7 December 2023

Australian Energy Market Commission  
Project Leader: James King  
Reference: ERC0362

Lodged via the AEMC website

### **ERC0362: Harmonising the National Energy Rules with the Updated National Energy Objectives (Electricity, Gas and Retail) Rule Change**

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia, representing over 1,000 of the leading businesses operating in renewable energy, energy storage, and renewable hydrogen. The CEC is committed to accelerating the decarbonisation of Australia's energy system as rapidly as possible while maintaining a secure and reliable supply of electricity for customers.

We welcome the opportunity to comment on the draft rule change determination to harmonise the NER, NGR and NERR with the updated energy objectives.

The CEC is generally supportive of the proposed changes as they will provide certainty and clarity on how the new emission reduction objective will be incorporated into the national energy rules.

Transparency in how the emissions reduction objective is to be incorporated will support efficient investment in critical network infrastructure. Given the multiple reforms underway, we support the consideration applied to reducing the administrative burden of having to apply emissions reduction on a case-by-case basis.

The CEC is supportive of including emissions reduction as a class of market benefits. The most relevant implication of this change is the consistent approach to valuing emissions reduction across ISP projects and transmission and distribution infrastructure projects. The existing market benefits includes "other classes", which in the past has served as a justification for case-by-case assessment of emission reduction.

We also expect that this change may support more efficient investment in network infrastructure that can unlock renewable generation, by addressing congestion. We look forward to seeing how the detail of this is implemented by the AER and network businesses.

The CEC had suggested consideration of climate resilience as another way to account for the values of emissions reduction. We note the AEMC response that this concept will be addressed in other forums related to system security and reliability. We strongly recommend the AEMC to consider properly how climate adaptation and resilience can be more effectively accounted for in the NER. The effects of climate change will increasingly impact the ability of the NEM power system to deliver a reliable and secure supply of electricity, and rule makers should explore ways to prepare for these impacts before it is too late.

The CEC supports the change “*to contribute to achieving the national electricity objective*” in the ISP provisions. Considering that generating electric power remains – by far – Australia’s largest single source of GHG emissions, this would give AEMO the appropriate mandate to consider decarbonisation alongside price, reliability, safety, and affordability objectives.

The pace of change in reaching national and state emissions reduction targets has slowed down and investment certainly needs to be boosted. The CEC views the need for the acceleration of generation and energy storage investment as imperative to the transition. We consider these changes to the ISP will support this investment.

The CEC supports the proposed changes as energy generation is an essential service and it is reasonable to expect that benefits would accrue outside the electricity / gas sectors.

We also consider the AEMC’s general approach to opex and capex in network proposals to be appropriate.

However, care will need to be taken here in terms of how the general principles for network expenditure are applied to ensure that network and pipeline operators plan in a manner that is genuinely consistent with supporting decarbonisation of the Australian power system. Particular attention must be paid to how investment in gas pipeline infrastructure is assessed in light of emissions reduction, as this relates to the investment in and operation of gas fired generation. Any such investment must be compared to a counterfactual featuring increased investment in energy storage assets – batteries, pumped hydro or other zero carbon forms of energy storage – to ensure that the lowest carbon solution is being considered.

The CEC recognises that the AEMC has decided not to consider the gas and electricity systems in combination in this rule change. While we recognise the arguments made by the AEMC as to why this decision was made, caution must be exercised to ensure that investments across electricity and gas networks will truly deliver the lowest emissions outcome.

As always, the CEC welcomes further engagement from the AEMC on this reform. Further queries can be directed to Ana Spataru at the CEC on [aspataru@cleanenergycouncil.org.au](mailto:aspataru@cleanenergycouncil.org.au).

Kind regards

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