



public interest
ADVOCACY CENTRE

Infrastructure Safeguard policy paper

28 October 2021

About the Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is leading social justice law and policy centre. Established in 1982, we are an independent, non-profit organisation that works with people and communities who are marginalised and facing disadvantage.

PIAC builds a fairer, stronger society by helping to change laws, policies and practices that cause injustice and inequality. Our work combines:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change and public interest outcomes.

Energy and Water Consumers' Advocacy Program

The Energy and Water Consumers' Advocacy Program (EWCAP) represents the interests of low-income and other residential consumers of electricity, gas and water in New South Wales. The program develops policy and advocates in the interests of low-income and other residential consumers in the NSW energy and water markets. PIAC receives input from a community-based reference group whose members include:

- NSW Council of Social Service;
- Combined Pensioners and Superannuants Association of NSW;
- Ethnic Communities Council NSW;
- Salvation Army;
- Physical Disability Council NSW;
- Anglicare;
- Good Shepherd Microfinance;
- Financial Rights Legal Centre;
- Affiliated Residential Park Residents Association NSW;
- Tenants Union;
- The Sydney Alliance; and
- Mission Australia.

Contact

Anna Livsey
Public Interest Advocacy Centre
Level 5, 175 Liverpool St
Sydney NSW 2000

E: alivsey@piac.asn.au

Website: www.piac.asn.au



Public Interest Advocacy Centre



@PIACnews

The Public Interest Advocacy Centre office is located on the land of the Gadigal of the Eora Nation.

Introduction

PIAC welcomes the opportunity to respond to the NSW government's policy paper on the Infrastructure Safeguard (Part 6 of the Electricity Infrastructure Investment Act 2020). We respond to select consultation questions below.

Consultation questions

1. What requirements for stakeholder consultation on the IIO Report should be implemented to ensure the Consumer Trustee's report is informed by the best available information?

PIAC considers the Consumer Trustee should consult with stakeholders, particularly consumers and their representatives, in developing the Infrastructure Investment Objectives (IIO) report. PIAC considers a new NSW-specific approach focused specifically on the implementation of the Infrastructure Safeguard is preferable to using an existing group such as the Integrated System Plan (ISP) Consumer Panel. The ISP Panel is not designed to have strong knowledge of the NSW context or have specific representation of NSW consumers, which the Consumer Trustee's report would benefit from.

As part of consultation, the IIO report should be required to evidence how consultation has impacted outcomes in the report and generally how stakeholder feedback has been incorporated and considered.

2. How should changes in technology, consumer behaviours, customer investment in generation (e.g. distributed energy resources) and demand uncertainty be treated to determine the requirements for large-scale infrastructure investment?

Distributed Energy Resources (DER) will be critical to decarbonising the energy system and are often more efficient, resilient, reliable and affordable than building large-scale infrastructure. Changes in DER uptake should be considered in light of these attributes.

Changes in DER uptake and demand uncertainty should be considered alongside the need to rapidly decarbonise the energy system and reach net-zero, the Paris Agreement to limit global heating to 1.5 degrees and NSW's own 2030 emissions reduction target. The Consumer Trustee should aim to use all commercially available tools to meet these objectives at least cost to consumers.

Changes should also be considered in terms of equity and fairness. Access to and uptake of DER is often unequally distributed amongst consumers, with lower income and otherwise vulnerable consumers and renters often not able to access new technologies and services. The Consumer Trustee should consider the distribution of changes and how large-scale infrastructure investment can both harness and complement DER while ensuring all consumers enjoy the same levels of service, reliability and affordability.

- 3. What assumptions, scenarios or approaches could be prescribed by regulation to encourage an independent Consumer Trustee to make appropriate decisions regarding the treatment of future risks and uncertainties in planning for infrastructure investment?**

No response.

- 4. What role could demand response play as ‘firming infrastructure’ under the EII Act and are any special considerations required in LTES Agreement design?**

PIAC considers renewable sources, storage, and DER such as demand response, are the most cost effective and reliable means of meeting NSW’s dispatchable capacity and firming requirements. While gas powered generation will continue to have a minor but important role for some years meeting infrequent peak events, PIAC considers in the longer term this will diminish as batteries and other sources of dispatchable peak capacity become available, and natural gas for generation should be displaced with renewable gas.

The Consumer Trustee should prefer demand response for firming according to how it meets the Infrastructure Investment objectives as well as the objectives and principles of the long-term interests of consumers; resilience to climate change impacts; and appropriate risk and cost allocation. As the energy system changes rapidly, solutions that can adapt and be flexible to changing market, system, environmental and social conditions will likely best meet these objectives and provide the most benefit to NSW consumers.

- 5. Other than those prescribed in the EII Act, are further LTES Agreement design principles required to support spot, contract and system service market operation and greater consistency across jurisdictional schemes and, more broadly, innovation over time?**

No response.

- 6. What do you think is important to include in a regulation to define ‘outstanding merit’?**

A project’s ability to deliver unusually high value to consumers should define ‘outstanding merit’. Unusually high value could be achieved in such ways as a project providing additional network services, reliability support, above normal emissions reductions or making a larger contribution to demand for local jobs and content than if it was in a REZ. The process of declaring a project has ‘outstanding merit’ should be transparent and open to challenge.

- 7. Are there further matters that should be considered when setting and using REZ access fees?**

We strongly support fees and access charges being used to reduce the cost of the infrastructure to consumers and to reflect the overall value of the REZ access right to proponents, as suggested in the consultation paper. In line with this, PIAC strongly recommends access fees should be set and applied according to the beneficiaries of the REZ infrastructure. Connecting generators are the primary beneficiaries of REZ infrastructure,

receiving more certainty of access which limits their risk of curtailment. Consequently, their fees for accessing and using the REZ should reflect the cost of shared infrastructure required to realise that benefit. Properly reflecting the benefit of REZ infrastructure to connecting generators in access fees protects consumers from costs they do not benefit from, increasing the fairness and efficiency of investment.

8. How should stakeholders be engaged in key processes so as to ensure the ongoing success of the Infrastructure Safeguard according to the objectives of the EII Act?

Stakeholders should be engaged according to their ability to effect outcomes in the process and how the outcomes of the process will impact them. PIAC recommends the International Association for Public Participation (IAP2) Public Participation Spectrum should guide consultation on the Infrastructure Safeguard.¹

Consumers and their representatives should be involved in processes that may directly or indirectly affect energy costs, and care should be taken to ensure they have sufficient information and resources to provide informed input.

9. Where could the regulations provide guidance to the Consumer Trustee in relation to the risk management framework, to increase transparency and confidence for stakeholders?

No response.

10. When should the Scheme Financial Vehicle enter active risk management or hedging contracts?

No response.

11. What capabilities will the Consumer Trustee or Financial Trustee need to manage net financial exposures under hedging contracts and LTES Agreements?

No response.

12. What parameters, principles and structures should be regulated to limit net basis risk exposures for consumers?

No response.

¹ IAP2 Spectrum, https://iap2.org.au/wp-content/uploads/2020/01/2018_IAP2_Spectrum.pdf