

NEM Wholesale Market Settings Review – draft report

18 September 2025

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About the Justice and Equity Centre

The Justice and Equity Centre is a leading, independent law and policy centre. Established in 1982 as the Public Interest Advocacy Centre (PIAC), we work with people and communities who are marginalised and facing disadvantage.

The Centre tackles injustice and inequality through:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change to deliver social justice.

Energy and Water Justice

Our Energy and Water Justice work improves regulation and policy so all people can access the sustainable, dependable and affordable energy and water they need. We ensure consumer protections improve equity and limit disadvantage and support communities to play a meaningful role in decision-making. We help to accelerate a transition away from fossil fuels that also improves outcomes for people. We work collaboratively with community and consumer groups across the country, and our work receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

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1. Introduction

The Justice and Equity Centre (JEC) welcomes the opportunity to respond to the Department of Climate Change, Energy, the Environment and Water's (DCCEEW) NEM Wholesale Market Settings Review draft report (the draft report).

This review is a critical opportunity to comprehensively consider the structure and operation of the National Energy Market (NEM) and ensure it is fit-for-purpose, and promoting the best interests of consumers throughout the transition of the energy system.

We broadly support the work of the Review and commend the approach taken to engage broadly and meaningfully with a wide range of industry, consumer and community stakeholders. This work is well-reflected in the draft report and its recommendations. In this submission we highlight aspects of the draft as key priorities, provide our perspective on further augmentations and additions and highlight areas where we consider further work is required.

2. Summary of positions

Our submission addresses the following aspects of the draft, with detailed responses on a range of recommendations.

Incentivising investment

The JEC broadly supports maintaining the real-time, regional, energy-only spot market as the core market for efficient dispatch and provision of physical energy services, with the focus being modernisation of the market settings.

We support creation of the Electricity Services Entry Mechanism (ESEM). However, we are concerned that it inappropriately shifts some risks on to consumers. This potentially undermines consumer confidence that the net impact of the mechanism will be lower energy costs in the longer term.

We support the Reliability Panel being tasked to consider adjustment of the form of the market price settings. We highlight our proposal to create two tiers of market price settings to incentivise the provision of flexible resources and reduce the windfall gains accrued by inflexible bulk energy providers during periods of market stress.

Accordingly, drawing on the framing used in the draft, we propose modifications to current market arrangements, alongside introduction of the ESEM:

Bulk

- Narrowing the range of spot prices, available to inflexible generation, such as coal and unfirmed renewables, with a higher floor price and lower cap.
- Paying a premium, similar in nature to the Renewable Energy Target (RET), to zero-emissions energy dispatched in the spot market.

Shaping

- Making a wider range of spot prices available to flexible generation, storage and demand, such as batteries, gas generation, demand response and firmed renewables, bounded by a low floor price and higher cap.

Firming

- Creating an out of market reserve to provide deep firming services – managing high impact, low probability events (*dunkelflautes* and *kaltflautes*) – controlled by the market operator with guidance and principles on its use supplied by energy ministers.
- Empowering the operator to procure longer duration, compensated demand response (DR), from sources that can offer long term system load reductions.

Market concentration and rebidding

The JEC strongly supports recommendation 4A, but highlights the underlying issue of market concentration, which needs to be explicitly addressed. This work should be forward-facing, addressing the expression of market power in a future market where storage rather than generation plays the role of price-setter.

The Panel should also consider recommending ownership limits for each business in each region, in order to limit market power while still supporting efficient vertical integration and encouraging contracting.

Reliability

The JEC supports recommendation 8D establishing a longer-term out-of-market reserve to cover high-impact, low likelihood events. This strategic reserve should replace the Long Notice Reliability and Emergency Reserve Trader (RERT), rather than exist alongside it. The Retailer Reliability Obligation (RRO) should also be removed.

We support tasking the Reliability Panel to consider adjusting the form of the market price settings, and propose this includes producing a more accurate nomenclature and language surrounding the reliability standard. This should enable more accurate understanding of how the metric is used and help foster more consumer-centric decision-making into the future.

Demand side resources

We propose that the Panel

- Recommends the extension of the wholesale demand response mechanism (WDRM) to households;
- Consults deeply with providers of demand flexibility and demand side experts on the merits and limitations of the WDRM and the Integrating Price Responsive Resources (IPRR) frameworks;

- Ensures consumers are adequately represented by advocates on any Panel developed for either the design of the ESEM (which consumers will be the counterparty and risk holder for) or the details of the market making obligation (MMO).

Emissions

The JEC welcomes measures ensuring adequate new investments in energy resources, and that emissions in the NEM are aligned with government policy. We recommend further measures to ensure this intent is delivered, including

- A robust mechanism to ensure the ESEM administrator procures services at a level that achieves the emissions targets;
- A means of taking into account the emissions of any fossil fuel generation used for firming, and;
- Measures ensuring the interim period prior to the commencement of the ESEM involves strong incentives for renewables investment enabling the timely exit of coal generation.

3. Incentivising investment

3.1 A consumer perspective on the ESEM

While the JEC supports the introduction of an ESEM, we are concerned the mechanism inappropriately transfers risks to consumers, which they are not capable of managing.

It is reasonable for consumers to accept some of the risk arising from energy price movement via the contract for difference element of the proposed ESEM contracts. However, these are not the only risks being transferred to consumers. There are also risks of insolvency or market exit. While ultimately the ESEM contracts are sold back into the market, these risks are held by consumers until that occurs. It is not appropriate or efficient for consumers to hold these risks.

The Panel should consider dividing up the risks being moved to consumers as a result of the introduction of the ESEM into those which are in consumers' interests and those which are not. This should involve considering other parties who may be better able and willing to carry them. These may be commercial interests with longer than average investment tenor demands - such as superannuation funds – or governments.

Recommendation – 1

That the Panel consider dividing the risks being transferred to consumers as a result of the introduction of the ESEM, into those which are in consumers' interests and those which are not, and apportioning those risks not in consumers' interest to an appropriate party.

We are also concerned that the interests of the ESEM administrator and consumers are not well aligned. An ESEM administrator may have a lower tolerance for the risk of under-procuring and a higher willingness to pay for the energy in the event of over-procurement than consumers. An over-procurement of ESEM-contracted energy may result in such a high proportion of the market

being covered by ESEM contracts that consumers end up paying more for energy than they otherwise would or could. This is not in the interests of consumers.

A consumer panel or other body charged with ensuring that the procurements of the ESEM administrator are in the long-term interest of consumers should be considered as part the ESEM's introduction.

Recommendation – 2

That a consumer panel, or similar body, be empowered to ensure the procurements of the ESEM administrator are in the long-term interests of consumers.

In their recommendation to the Reliability Panel to consider the form of the market price settings, the Panel should explicitly recommend the Reliability Panel considers how far market price settings may be able to ease from their current levels as a result of adoption of the recommendations of this review. For instance, the ESEM removes risks from investors in order to increase the attractiveness of investment. This should involve a material reduction in pressure on high market price settings to provide revenue sufficiency.

Recommendation – 3

That directions to the Reliability Panel to consider the form of the market price settings involve explicit recommendations to consider the scope for lower market settings as a result of the adopting the recommendations (such as the ESEM) from this review.

3.2 Shaping

We support the division of market services into bulk, shaping and firming. This is both an accurate conceptualisation of energy use and provides useful opportunities to reduce costs to consumers by disaggregating the three services from one another. This distinction between different services should be expressed through the design of different ESEM contracts.

We propose that this operationalisation of the three energy service structure in the ESEM contracts should also be reflected in the market price settings. Shaping and shallow firming resources can be grouped together and given access to an exclusive set of market settings which are more lucrative than the standard market settings.

Bulk generation resources, either carbon emission-producing or not, would have access only to the standard market price settings.

To access the higher market price settings during periods of market stress, resources would need to fulfil criteria related to flexibility, such as the ability to ramp up and down at speed, and behaviour during normal times, such as retaining dispatchability under certain conditions.

Providing shaping and shallow firming resources with a higher set of market price settings would have two key effects:

- it would incentivise investment in shaping and shallow firming resources, including investments in batteries enabling renewable generation projects to provide shaping and

firming services, and

- by making the market more closely reflect the different value that market participants offer consumers, it would reduce the windfall profit that bulk generation receives during periods of market stress and so reduce energy costs for consumers.

Recommendation – 4

That operationalisation of the three energy service structure in the ESEM contracts should also be reflected in the market price settings

3.3 Firming

The JEC supports the creation of an out of market reserve – separate from the shallow firming – provided in the market - in particular the provision of deep firming to cover *dunkelflautes* and *kaltflautes*. This is likely to promote the consumer interest in that it is less expensive for consumers to procure out of market reserves than to institute market settings that make investment in deep firming resources viable.

This reserve should replace the Long RERT rather than exist alongside it, with the RRO also being removed. Adding yet another mechanism to provide reliability without removing others, as we have consistently done in recent years, will result in consumers paying more for reliability outcomes than they would choose to.

The strategic reserve should be operated primarily by the market operator, with non-real time guidance provided by the jurisdictions and federal government.

The strategic reserve need not be limited to storage in the form of batteries, hydropower and gas peaking generation. Deep firming can also be provided in the form of DR. That is, resources should be devoted to enabling large industrial operations – for example desalination plants, or in the future hydrogen electrolyzers – with the capacity to turn off operations entirely during periods of energy market stress in order to receive compensation. This DR capacity could be furnished via a provider in the wholesale demand response mechanism (WDRM) or be procured and dispatched directly by the operator.

Recommendation – 5

That demand response be eligible to provide deep firming through the strategic reserve, procured via a provider through WDRM or directly by the operator.

Batteries as firming

While the publication of battery state of charge information would be a positive step, it does not adequately mitigate reliability risks. By this we do not mean that reliability risks can be expected to exceed the reliability standard. Rather, we mean that reliability outcomes will not be achieved at least cost to consumers.

In addition to publishing battery state of charge information, the market operator should procure a strategic reserve of battery storage, which can be used to manage *dunkelflautes* and minimum system load (MLS) events.

The participating batteries providing this reserve would be compensated and be liable for not holding reserve in accordance with their commitments.

This cost would entail consumers paying in normal market periods for these resources. However, they would only be paying for the resources that provide relief during periods of market stress. The costs of this approach would likely be far smaller than during current periods of market stress, in which high prices are paid to all generators and storage providers, regardless of the degree to which those resources actually contribute to relieving the market stress.

The use of operator control would also provide a substantial saving in relation to managing MSL events, particularly in conjunction with enabling household rooftop solar export to be curtailed on a voluntary and compensated basis. The direct control of a proportion of the network storage would provide a much cheaper alternative to the current framework, which relies on AEMO directing batteries during MSL events at great cost to consumers.

Recommendation – 6

That the market operator procures a strategic battery storage reserve to be used to manage minimum system load events and contribute to the management of ‘dunkelflautes’

3.4 Incentivising investment in zero emission dispatch

We are concerned that the tenor gap is not the only barrier to efficiently enabling adequate bulk zero emission generation investment, and that the contract for differences element of the ESEMs will not provide adequate assurance for prospective investors. That is, we are concerned the ESEM alone does not resolve the concern that the spot prices for bulk energy services may not stay above their levelised cost of energy for an adequate proportion of dispatch.¹ To resolve this issues, we propose a premium to be paid in the 5-minute dispatch, rewarding zero emission dispatch. This would be paid whether the dispatch serves the purpose of bulk, shaping, or firming.

Alternatives to an in-market fixed premium for zero emission dispatch include an economy-wide carbon price or a Carbon Solutions Levy² with some of the funds raised used to subsidise zero emission generation, an extension of the Renewable Energy Target (RET), or some other mechanism that enables a market to value the zero-emission dispatch premium. We prefer the fixed, in-market premium on the basis that it is transparent and simple and so both increases both price adequacy and certainty of same for prospective investors.

3.5 Gentailers and the market making obligation

We are concerned that retail market concentration may limit the effectiveness of the derivatives and ESEM initiatives due to vertically integrated market participants having the means to provide their own hedging using their positions on both sides of the market.

¹ David Leitch, 25 August 2025: <https://reneweconomy.com.au/nelsons-blind-eye-big-gentailers-wont-build-or-contract-solar-and-wind-they-cannot-control/>

² <https://www.superpowerinstitute.com.au/news/an-achievable-75-emissions-reduction-target-is-in-our-national-interest>

In addition to the market making obligation (MMO) recommended in the draft paper we recommend consideration is given to requiring vertically integrated energy providers to take a transparent position in any given period, as discussed below. This would force these participants to hedge their positions using the derivatives and potentially substantially increase demand and the effectiveness of price discovery in the retail markets.

4. Market concentration

We commend the draft report for engaging with the issue of market concentration, raised most importantly by the Australian Energy Regulator (AER) in their first submission to this review. We are concerned however, that despite acknowledging the issue, there are no recommendations to resolve it.

We propose framing the problem of market concentration in a forward-facing manner, considering the expression of market concentration not only in today's market but the market of the 2030s onwards.

As the draft report notes, while market concentration overall has fallen in recent years, concentrated ownership in dispatchable assets has so far persisted. It is possible, if not likely, this will continue, mainly in the form of large vertically integrated market participants dominating the storage fleet.

This poses a material risk for consumers because:

- storage is likely to play a very substantial role in price-setting in the future market, and
- the expression of market concentration in inflated wholesale market prices is exacerbated during periods of market stress, and these periods are the most impactful in terms of consumer energy bills.

The problem to be resolved is best framed as how to limit market concentration in each of the three energy services – bulk, shaping, and firming – rather than how to generally limit the exercise of market power.

The solution should not simply dissuade today's large market participants from investing in a given resource, such as wholesale battery storage, as more investment does promote consumers' interests. Instead, mechanisms raising the attractiveness of investment in one of the other two services relatively after a certain limit of market share in a given energy service market has been achieved should be explored.

We support the suggestion in the paper for the ESEM administrator to limit contracting with participants with large market shares that would lead to a breach of a market concentration benchmark. This need not be administered on a whole of market basis, but rather in each of the three energy services. That is, if the participant wished to increase their investment in the energy system, they would either have to make an investment without ESEM coverage in the same energy service - where they had reached the concentration limit - or invest in a resource that provided one of the other two energy services.

Another option would be limiting the access of a market participant to the higher market price settings in the two-tiered market settings arrangement we have proposed. That is, resources taking the participant above a market concentration threshold in shaping or firming would not have access to the higher flexibility-rewarding set of market price settings, and would receive compensation for dispatch on the terms of the lower market price settings.

Alternatively, ceilings could be introduced limiting the proportion of different aspects of the market in each region.

For example, there could be a limit of:

- 20% in either retail or generation, and/or
- retail market share or generation market share no higher than 30%. Eg one owner may have 20% gen and 10% retail, or a 15% share of each concurrently.

This will serve to limit market power while still supporting efficient vertical integration and encouraging contracting.

We propose that exploring the issue of market concentration is added to the work assigned to the ACCC and market bodies in recommendation 4A.

Recommendation – 7

That the Panel consider explicit measures to address market concentration, and that consideration of these measures is forward-facing, responding the likely future market dynamics

5. Demand side resources

The JEC commends the consultative process the Panel has overseen throughout the review so far. The consultation on the supply side of the market has been exemplary and produced a developed and nuanced account of the challenges facing energy suppliers. This approach now needs to extend more meaningfully to the demand side, with targeted consultation with demand-side experts.

It is critical the Panel distinguish demand-side resource experts from distribution level stakeholders. While distribution network service providers (DNSP) produce and own some data that is significant for the provision of demand flexibility opportunities, this does not make them demand side resource experts.

Recommendation – 8

That the Panel undertake further, targeted consultation with demand side resource experts, and that this be distinct from engagement with DNSPs.

While the JEC supports recommendation 2 – for energy ministers to require a broader range of price-responsive resources to be visible or dispatchable to participate in price formation – the

various mechanisms enabling flexible demand must be treated on an equal footing, with the Panel to consider the strengths and limitations of each mechanism.

We strongly support recommendation 2B – that energy ministers should propose a rule change requiring that, by 2030, various forms of price-responsive resources should be visible or dispatchable in a relevant participant category, with this obligation falling on the relevant participant.

The Panel expresses a working position that each resource should be able to choose the most suitable pathway given its characteristics. We make the following observations concerning the pathways identified in the draft report:

- Pathway 1 could be improved by expanding the WDRM to include households: one of the easiest dispatchable resources is household batteries taking households offline as a mode of DR;
- Pathway 2 should include aggregations of DR dispatched through the WDRM as well, given that VSR does not allow DR;
- Pathway 3, while valid, does not provide the same level of benefits offered in the WDRM from either the participating consumer's or the system perspective.

5.1 The limits of IPRR

The more the detail of IPRR is developed the less effective and appropriate a tool for supporting household flexible demand it appears to be.

It appears to be particularly unsuitable for resolving a central concern of this review, in the need to increase the proportion of resources on the network which are visible to the operator and dispatchable. The key issues are that IPRR is inherently retailer-centric – retailers have little incentive to provide demand flexibility – and the absence of centralised baselining, which means IPRR is entirely unsuited to wholesale demand response dispatched by AEMO. Accordingly, IPRR has a narrow application; it is limited to enabling services provided by retailers which don't require external baselining.

IPRR also does not remove barriers for households to do demand side participation. Rather it seeks to provide additional incentives for retailers to undertake actions which are already possible. We are sceptical that this additional incentive will lead to a marked increase in flexible demand offerings. In any case, we consider it unreasonable to assume IPRR will yield the optimisation of household flexible demand at the economically optimal level which best promotes the interests of consumers.

The role of retailers

While retailers have had the ability to offer DR for a long time, they largely have not, and certainly have not to the degree which best promotes consumers' interests. This is because, in the vast majority of cases, they (the retailers) choose to remove their exposure spot market price risk through generation (and, increasingly, storage) assets and contracts. This is their core business,

and consumers benefit from it – energy bills may be higher if they didn't hedge. This incentivises investment in generation and effective risk management.

Hedging limits exposure to high spot prices for retailers, and derisks generation from price volatility. However, maximising the value of wholesale DR – both for participating energy users and the wider market – *requires* exposure to high spot price volatility to provide the strong incentive.

Moving effectively into DR provision would require new skills and knowledge for retailers. They would have to cover the cost of this, earn a profit equivalent to that in existing areas of business, and then return a benefit to participating consumers, in order to justify the expansion. There are few cases in which this will be worthwhile in prospect. Understandably, retailers then have a strong very incentive to resist and argue against the wider development of a mechanism unlikely to be easily adaptable to their existing business.

Retailers can be considered reasonable in their position and their lack of effective embrace of DR. Attempts to rely on retailers fully embracing flexible demand service provision should cease, and it should be accepted that household flexible demand will be more effectively developed through providers who aren't retailers and have a different set of incentives – aligned with the consumer interests in optimising demand response – to respond to.

There is value to be accessed by enabling small customers and households to participate in DR, both for direct participants and all consumers, but this will only happen if they are allowed access to the WDRM, which, uniquely, removes the need for retailers to provide the flexible demand service.

5.2 Extending the WDRM

The JEC was the driving force of the design of the WDRM and main proponent of the rule change that introduced it. We intend to submit a further rule change proposal for the WDRM to be extended to small customers and households.

A large and growing number of households have some amount of demand able to be shifted, reduced, or temporarily supplied by their own backup supply for at least a few hours every year. These flexible loads are varied in nature and most households are motivated to find ways to reduce their electricity costs. The AEMC has accepted that there is latent and unserved appetite for demand flexibility in this sector of the market. We strongly agree, but contend the WDRM, not IPRR or CER Benefits is the preferred vehicle to provide this. The WDRM removes the issue of retailer reliance and provides the least complex way for consumers to gain access to the spot market.

We urge the Panel to support the proposal to recommend the extension of the WDRM to small customers and households and would be happy to meet the Panel to discuss the merits of the proposal in more detail.

Recommendation – 8

That the Panel recommend the extension of the wholesale demand response mechanism to households.

5.3 Funding the CER Roadmap

The JEC strongly supports recommendation 3A for energy ministers to focus the National CER Roadmap on – and ensure sufficient resources are allocated to – delivering the critical roadmap elements enabling market participation (e.g. technical standards) and provide consumer protections.

We also support the ambitious timeline for this work laid out on page 102-103 of the draft report. The absence of appropriate, 21st Century consumer protections is likely costing consumers hundreds of millions of dollars per year. The CER Roadmap should be resourced to complete this and other critical work in the next two years, and be furnished with a secretariat and its own budget.

The JEC strongly supports the recommendation not to introduce a Distribution System Market Operator for the reasons laid out in our submission to the CER Taskforce.⁴

6. Reliability

We strongly concur with the Panel's position that changes proposed in the draft report would have implications for the market price settings and reliability standard.

In this context we support the recommendation for the Reliability Panel to consider adjusting the form of the market price settings. As part of this process we recommend the Reliability Panel is also tasked with producing a more accurate nomenclature and language surrounding the reliability standard. This would enable regulators and other actors to more accurately depict how the metric is used and foster the conditions for more consumer-centric decision-making into the future.

The reliability standard as currently operationalised is a misnomer. While the Reliability Panel produces advice on the market settings on the basis they are the only policy lever used to achieve the standard, this is not the case. In reality the market operator uses a slew of additional tools to pursue an operational reliability standard of 100%.

In order to enable decisions in accordance with the Australian Energy Regulator's (AER) Values of Customer Reliability (VCR) – rather than more fickle political expectations which may value reliability outcomes over and above the levels preferred by consumers - a more accurate language concerning the reliability regime is needed.

In addition, work is needed to interrogate the aims and function of the reliability standard within the framework of the energy system imagined in this review, based on the three fundamental energy services of bulk, shaping and firming.

This work should be given to the Reliability Panel, who should be instructed to undertake it in a forward-facing manner.

⁴ JEC, 20 August, 2025: <https://jec.org.au/resources/submission-to-dccew-redefining-roles-and-responsibilities-for-power-system-and-market-operations-in-a-high-cer-future/>

Recommendation – 9

That the recommended work of the Reliability Panel includes reviewing the nomenclature and language of the reliability standards and settings, and interrogating the aims and functions of the reliability standard in the system created by the recommendations of this review.

7. Emissions

7.1 Ensuring ESEM procurement is aligned to emission targets

The JEC agree with the Recommendation 8A that

‘The ESEM should seek to procure quantities of each service that achieve the National Electricity Objective (NEO). This includes any specific requirements of government policies referenced in the Australian Energy Market Commission (AEMC) Target Statement.’

The Panel should consider how a robust mechanism can ensure the procurement of services by the ESEM is sufficient to meet government policies, and drive down emissions fast enough to achieve emission targets. The Panel should recommend Ministers provide clearer direction in the amended NEL to the ESEM administrator, with obligations relating to the achievement of targets.

The Panel’s recommendation should include both a robust mechanism for ensuring sufficient services are procured, alongside strengthening its existing recommendation that the ESEM ‘seek to procure’ to ‘must procure’.

7.2 Firming services and fossil fuel generation

We agree with recommendation 9A that

‘Governments would clarify how their emissions targets apply to projects procured to provide firming services, to provide certainty for investors.’

We also agree with recommendation 9B that,

‘The Australian Government should task the Australian Renewable Energy Agency to accelerate the development and deployment of zero emissions technologies that provide firming at scale.’

The NEM is in a state of transition. The exact role of any continued fossil fuel generation during the transition is one that must balance continued emission from individual facilities alongside overall NEM wide emissions. Ideally, we should not be incentivising investment in new fossil fuel generation, although we note the argument is made gas peakers for firming drive renewable generation and lower emissions overall.

It is important to note that Australia's Paris Nationally Determined Contributions (NDC), include both a point in time target for 2030, a total carbon budget of emission prior to 2030, and a point in time target of net zero by 2050.⁵

The Panel has suggested in *Table 2 Proposed definition of services* that the ESEM would be able to procure firming services from gas peakers.⁶ Providing investment incentives in the ESEM to fossil fuel generation, is a major departure from the current Capacity Investment Scheme (CIS). The CIS eligibility requirements do not allow for government underwriting of fossil fuel generation.

Recommendation 8 should include an additional recommendation that the ESEM seek, where possible, to procure zero emission firming services, and only procure fossil generation as a last resort, and where there is a proven NEM system-wide emissions benefit.

Recommendation 9 should also include an additional recommendation that all governments require any new gas power plant meet strict emission intensity limits in the near term, and offset their emissions.⁷ An additional requirement could be that any new gas generation facility be green hydrogen ready.

7.3 Maintaining momentum prior to the ESEM

We note the first issue of ESEM contracts will take time to occur, assuming the Panel's recommendations are adopted.

Considering this, there is a clear need to continue to incentivise renewable entry into the NEM in the interim period prior to the start of any ESEM regime. Waiting for the ESEM will jeopardise the core task of incentivising sufficient bulk, shaping and firming services are in place to enable coal generation's exit in a timely manner, including in line with the current closure schedule notified by generators to AEMO.

8. Continued engagement

We welcome the opportunity to meet with the Review Panel and other stakeholders to discuss these issues in more depth. Please contact Michael Lynch at mlynch@jec.org.au regarding any further follow up.

⁵ Australia's Nationally Determined Contribution, Communication 2022, <https://unfccc.int/sites/default/files/NDC/2022-06/Australias%20NDC%20June%202022%20Update%20%283%29.pdf>, p.7.

⁶ Review p.161.

⁷ See, the Review page 191. This gives the example of the steps being taken in NSW, WA and in Europe.