Energy Networks Australia

18 October 2024

Committee Secretary
Department of the Senate

Dear Committee Secretary,

Senate Select Committee Inquiry on Energy Planning and Regulation in Australia

Energy Networks Australia (ENA) appreciates the opportunity to respond to the Senate Select Committee's *Inquiry on Energy Planning and Regulation in Australia*.

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

Energy network businesses support clear and effective institutional structures and governance underpinning the regulation and operation of the Australian energy market. Strong institutions and effective market governance promotes the long-term interests of current and future consumers.

At a high-level, ENA considers that:

- The existing institutional structures governing Australian energy markets have several critical strengths that underpin long-term investment supporting customer outcomes and the energy transition,
- National energy laws, rules and regulatory practice are able to continue to flexibly evolve under our existing framework to deliver outcomes for consumers through the transition, and
- Networks support the continued development of the Integrated System Plan (ISP) in a way that supports efficient 'whole of system' decision-making and investment planning.

These observations are discussed in further detail below.

Institutional structures, roles and energy market governance

Energy network businesses consider the current institutional structures, roles and market governance in the sector to be broadly fit-for-purpose.

A key strength of the existing institutional structure is that the three market bodies (AEMC, AEMO and AER) have separate roles and functions, but with a capacity to cooperate on those requiring coordination. This provides for an effective separation of the roles of energy market development and rule-making, market operation and system planning, and economic regulation and enforcement.

Globally, there is substantial international competition for clean energy investment capital from economies seeking to pursue the energy transition at pace. The clear separation of rule-making (AEMC) from economic regulation (AER) is a key source of confidence for private investors making significant capital and financing decisions on long-lived assets where costs are recovered over multiple decades.

Substantial new investments will be required during the energy transition, and the continued separation of rule-making and regulation, together with stability and predictability around the regulatory treatment of long-term network investments, will be key to attracting the required low cost capital and supporting positive consumer outcomes.

Strong institutional and governance arrangements in the energy market also directly support the long-term interests of consumers in ensuring efficient levels of investment.

As an example, the combination of national energy laws, rules, and Regulatory Investment Test processes applied and overseen by the AER, in combination with the system planning functions of AEMO, require that any new transmission or distribution investment deliver a net benefit to consumers. In

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particular, they ensure any significant investments proposed are rigorously tested and pass detailed regulatory scrutiny and assessment before commencing.

Continued evolution of policy and regulation to support the transition

Australia's national energy laws have evolved over time, for example, to include emissions reductions as an additional component of the national energy objectives, and to recognise and facilitate the use of hydrogen and biomethane in gas networks.

The AER's recent *Network Performance Report* found that that in 2023, after adjusting for inflation, electricity consumers on average paid the lowest cost for electricity network services since the beginning of their dataset. The report also found that gas network costs were the lowest costs since the series began in 2011, both in real and nominal terms. Measured outages in both electricity and gas have been less frequent, and reliability performance is at a near all-time high.

Our national energy laws, rules and regulatory practice will need to continue to flexibly evolve to deliver outcomes for consumers through the energy transition. Importantly, there are actions available to policy makers and regulators now under our existing framework.

ENA's *The Time is Now* report, produced with support from L.E.K. Consulting, identifies some of the positive ways that we can 'flex' existing approaches to make sure we are pulling every lever we can. Together with large-scale generation and transmission, the report identifies opportunities within the distribution grid that can be unlocked now to help achieve national climate targets and deliver benefits to consumers.

Examples of this include, as outlined in **Appendix A**, options for promoting faster and wider delivery of electric vehicle charging infrastructure, and better and wider utilisation of batteries connected to the distribution grid. Importantly, these benefits can be unlocked now by a set of targeted, pragmatic actions available to policy makers and regulators under our existing framework.

In addition, ENA's *Renewable Gas for a Future Made in Australia* report highlights key opportunities for policy makers to support a decarbonisation pathway for heavy industry, which will be key in achieving the nation's decarbonisation goals. This includes the introduction of renewable gas certification scheme, further support for biomethane and consideration of a renewable gas target for Australian industry, which our current governance frameworks are responsive and flexible enough to accommodate.

Whole-of-system planning and the AEMO Integrated System Plan

The ISP plays a key role in designing the lowest cost, secure and reliable energy system for the National Energy Market.

In its development, and as required by the framework, AEMO consults widely and transparently with industry and consumer stakeholders. The current governance framework for the ISP is proving flexible and resilient to the evolving energy transition, and enables AEMO to make improvements such as better considering community sentiment in the ISP. Further, the AEMC recently published draft rules for consultation aimed at improving AEMO's ability, when developing the ISP, to integrate consideration of the gas and electricity distribution systems.

Networks support the continuing development of the ISP in a way that supports efficient 'whole of system' decision-making and investment planning that identifies opportunities through the whole energy system to deliver the best and most efficient services to customers.

If you wish to discuss any of the matters raised in this letter further, please contact myself on

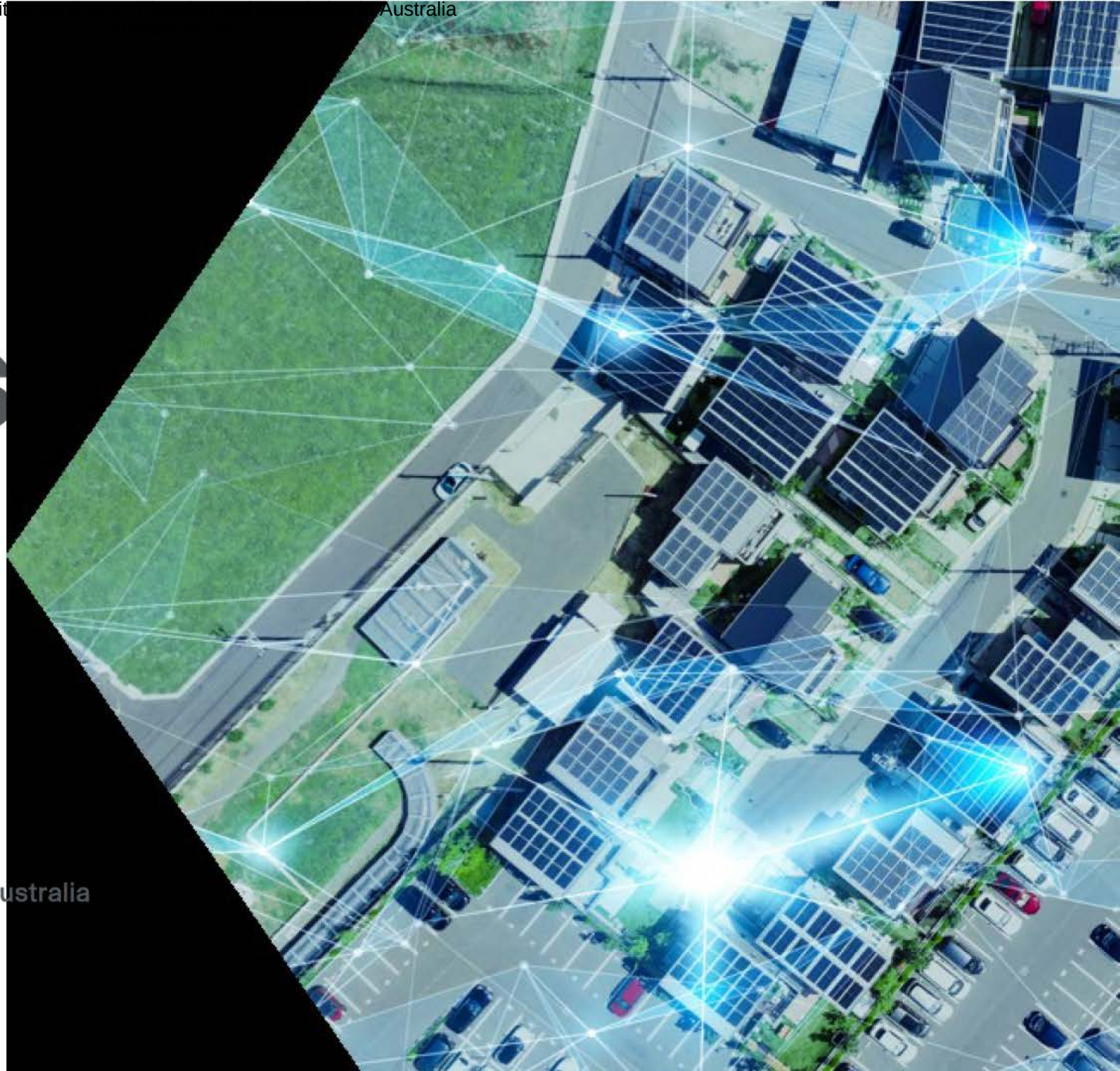
Yours sincerely,

Dominque van den Berg
Chief Executive Officer

Energy Networks Australia

The Time is Now

Getting smarter with the grid



Appendix A

Select Committee on Energy Planning and Regulation in Australia

Inquiry into the Energy Planning and Regulation in Australia

October 2024

Together with large-scale generation & transmission, there are opportunities within the distribution grid that can be unlocked and enabled now

Driven by customer outcomes

Energy wallet modelling was used to identify the most impactful opportunities to benefit customers

Using what we have, better

Results demonstrate that the distribution network can do more of the heavy lifting now to help achieve our targets and deliver benefits to customers

Actions that can be unlocked now

Customer benefits can be unlocked by a set of targeted, pragmatic actions that are achievable with the existing assets, workforce, resources and framework that we have today

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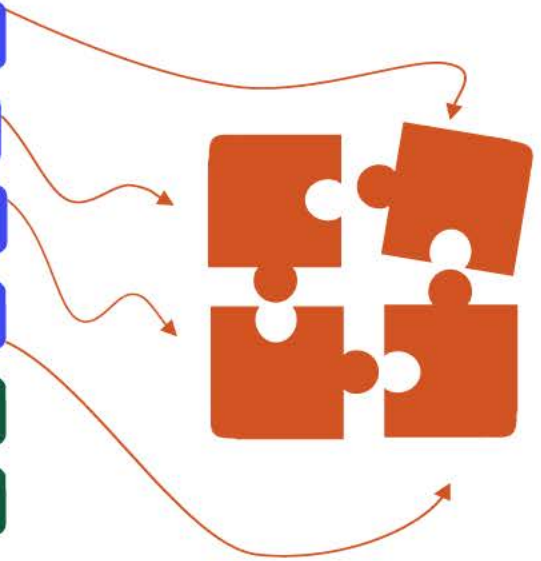
Identified the most impactful opportunities to benefit customers using comprehensive whole of energy wallet modelling

Customer benefits modelling of possible 'system changes' in the distribution network

- *add* rooftop solar & BTM storage
- *add* rooftop solar *&* FTM storage
- *add* community generation
- *faster* home/business electrification
- *faster* transport electrification
- *deliver* CER coordination

Prioritised set of system changes to deliver customer benefits

add community generation	$$$
add rooftop PV *&* FTM storage	$$$
faster transport electrification	$$
deliver CER coordination	$$
add rooftop PV & BTM storage	$$
faster home/business electrification	-$



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Getting smarter with the grid

By 2030

Customers save $160 a year

Reduces the transition price tag by $7 billion a year

Helps secure 82% renewables

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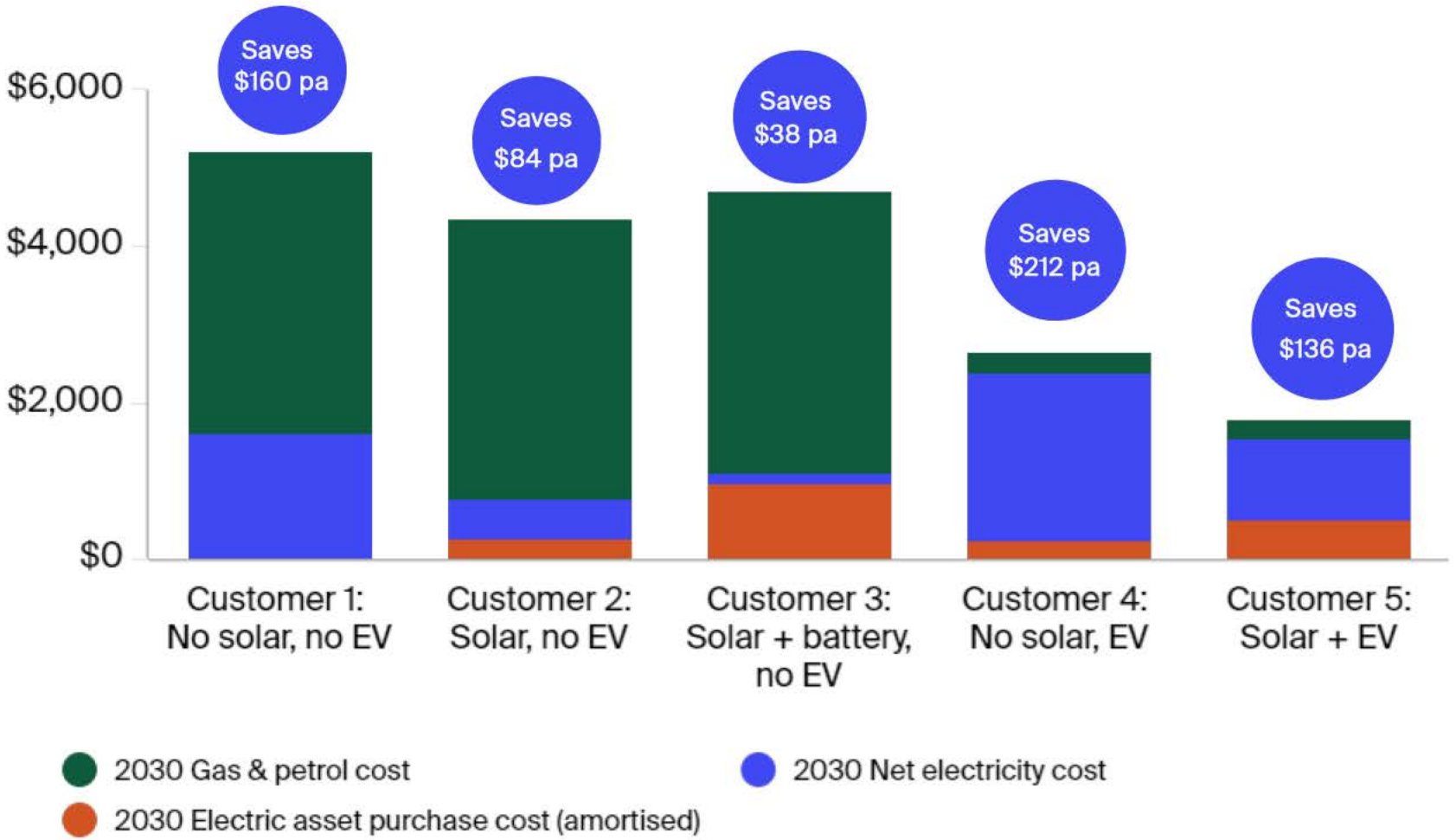
All customers types save money on their electricity bill



Snapshot of customer's total energy costs in 2030

- ✓ All customers benefit from lower bills for grid supplied electricity
- ✓ Getting an EV & installing solar will further reduce a customer's total energy costs

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Customer benefits can be unlocked by a set of targeted, pragmatic actions available under our existing framework

Link Local Energy Hubs

Allow distribution networks to establish and operate local energy hubs to add 7GW of additional community generation for all to benefit from

Amplify Untapped Solar

Provide incentives for commercial operators to get 5GW of additional solar panels installed on existing rooftops and share it with the local community

Soak up Surplus Solar

Better utilise the extra capacity of batteries connected directly to the local grid and get an additional 5GW connected, so all customers benefit

Plug in more EV Chargers

Classify kerbside EV chargers as a distribution service to put more EV chargers in to get 1M more EVs on the road

Sync with the Grid

Sync resources to the grid in a coordinated and flexible way so that the benefits can be shared with the community, and we can avoid $37B in network assets

Report proposes 14 specific actions that are achievable with the assets, workforce, resources and framework we have today

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