

Our 2018 National Conference was a packed two-day event full of positive and constructive dialogue. The following is a summary of the salient points from this event and our key take-outs.

PROGRESS IS STARTING TO BE MADE.

The opening day saw Minister Frydenberg give his keynote address which provided hope that the political impasse that has had such a negative impact on energy markets for the last decade may be coming to an end. We are grateful for the Minister's attendance and for the extensive time he took to answer many delegate questions.

This feeling of hope was further enhanced by comments made by opposition spokesman Mark Butler MP who agreed that energy users deserve policy and political stability. Both Mark Butler and Greens leader Sen Richard Di Natale indicated a desire to lift emissions reductions targets (to differing levels) which stimulated some great interaction with delegates. Clearly the transformation of our energy system is underway and it now appears to be a discussion of how quickly we want that to happen and the cost and reliability implications.

A degree of coordination amongst key regulators like Kerry Schott for the Energy Security Board and John Pierce from the AEMC also seems to be taking shape. Clearly the bonding element of this is the National Energy Guarantee which appears to be heading in a direction that many stakeholders, including the EUAA, have asked for. What we are observing is that the reliability guarantee is a much "lighter touch" than first envisaged which will hopefully ensure we don't end up with a gold-plated generation sector. The platform for the emissions guarantee, a form of environmental certificate clearing house, also appears to be workable.

Rod Simms of the ACCC provided the day two keynote address in which he provided an update on latest gas contract pricing that they have observed via their market overwatch responsibilities. Rod called on all energy users to become active participants in this ACCC process which is an important price discovery and market overwatch function. The information provided showed that gas prices have softened slightly but we are still a long way from where we need to be.

VARIABLE ENERGY IS THE NEW NORMAL

Our electricity system has transformed significantly since the NEM was originally designed from a highly centralised system built by state governments to one that increasingly based on decentralised and variable electricity owned by non-government players. With recent analysis indicating that renewable energy is now cheaper to build than new coal, this change is here to stay. Understanding the ramifications and looking for new ways to work within this new paradigm is an opportunity and a challenge. Importantly, we hope that our eyes are open to the system management challenges of an increasingly decentralised and variable system and that market rules can start to get ahead of the game.

It is also clear that governments, investors, regulators and most importantly energy users understand what the new normal may look like for energy costs. A number of views were put forward that coalesced around a wholesale gas price for between \$8Gj to \$10Gj and a wholesale electricity price of \$60MWh to \$70MWh being one likely scenario. Understanding what this means for energy intensive business and assisting them to adjust to a higher cost environment will be an ongoing work stream for the EUAA.

FLEXIBILITY IN THE TRANSFORMATION AND BEYOND WILL BE KEY

Our markets are playing catch up to the changes being led by consumers. The ability to adapt to the enormous changes taking place in energy markets will be critical to success both in the market design and ability to take up new technology, and for consumers to be able to capitalise on new opportunities and adjust to changed conditions both now and into the future.

We heard about new ways to procure energy with PPAs becoming commonplace while energy efficiency and demand response are being actively considered. Ideas that have not been thought of yet will be part of our future solutions and creating a framework that allows for innovation and the uptake of new opportunities – at a market and business level – will be important for future energy markets.

Based on a number of presentations, networks and retailers are taking a more consultative approach to find better solutions that are more creative in design. Even in politics we see the major parties recognise the value of taking a flexible approach to

deliver better long-term outcome for consumers. While there is still work to do in order to solve issues with gas, ideas are being explored that include hydrogen fuel (which may assist in providing part of a solution) and new gas fields are being opened to deliver domestic supply.

THERE IS STILL MORE WORK TO DO

While we have seen significant change, our markets are not working as efficiently as they could be. Consumers are still driving the change, and new models such as peer to peer trading and other technological opportunities that might deliver more affordable outcomes for consumers are not able to be capitalised on under our current market design. We also need to recognise the politics in our policy and become savvier in our approach and ability to explain the challenges and provide solutions if we are to ensure policy outcomes can be delivered.

The price increases in the electricity sector since deregulation draw specific comment from Rod Sims from the ACCC who flagged that this is an area that the ACCC will be investigating further as it should not have happened.

COLLABORATION, LISTENING AND WORKING COOPERATIVELY WILL BE CRITICAL TO DELIVERING THE BEST OUTCOMES.

The complex relationships within our energy markets - between all parties including suppliers, distributors and consumers to name just a few - the rapid transition underway, and the complex issues that need solving will need careful consideration in order to find the most efficient and effective solutions possible. But equally, time is of the essence with businesses depending on outcomes that deliver better prices.

By working together to share solutions and ideas, to consider the range of perspectives and think laterally and in the long term will be required to solve the many dilemmas we face. A sense of urgency is upon us to find solutions that deliver real outcomes – lower prices - or we will risk continued and irreparable value destruction.

A solutions-focused approach - one that considers all business needs - is a key focus of the EUAA. Over the last two years we have made this a priority in all our activities. We have sought to build networks and further our understanding across the different sectors in energy to increase constructive conversations and focus on how we can create a path forward as an industry. Hearing a very similar message from the breadth of speakers at the conference was reassuring to us, and we hope you also.

It is clear to us, and most energy commentators, is that the lack of stable energy policy over the past ten years has delivered significant economic destruction and unless we take a new approach, we cannot expect a different outcome.

Your feedback is welcome. Please contact us via euaa@euaa.com.au