

COST OF REWIRING THE ELECTRICITY GRID MUST BE SHARED

The release today of an Insights Paper by the Australian Energy Market Operator (AEMO) that identifies significant investments in the National Electricity Market (NEM), highlights the urgent need to rethink the way we pay for the transition of our energy system. The Energy Users' Association of Australia (EUAA) is calling on the energy industry, governments, regulators and customers to collaborate on developing a new cost and risk sharing framework that will pay for the future energy system.

“State and federal policies that are driving new technologies into the market, the gradual retirement of legacy fossil fuel power stations and changes in consumer behaviour means the NEM is changing rapidly and will require significant investment in generation, storage and grid infrastructure,” said EUAA CEO Andrew Richards.

“Our proposition is, quite simply, that everyone should pay their fair share of the costs and take their fair share of the risk.”

The 2018 AEMO Integrated System Plan identified that up to \$27 billion will need to be invested over the coming decade. A large proportion of this will go towards rewiring the national electricity grid to manage the rapid uptake of renewable energy, support the two way flow of electricity and providing new, predominantly non-government generators, access to the NEM.

“While energy consumers will gain some benefits from these investments so too will a broad range of other stakeholders including private investors and state governments. It is both unreasonable and unfair for consumers to continue to pay all the costs, as they have done traditionally, when they no longer receive all the benefits.”

When the energy system was government owned, energy consumers paid the entire cost of major grid upgrades, of the nature identified today. The socialisation of these costs was justified because the benefits were also socialised. However, with privatisation of the energy system and with the rapid changes that are underway we are seeing that non-government investors are now the dominant players.

“Quite rightly, non-government players are seeking to make a profit for their shareholders but in doing so they need to pay their fair share of the costs associated with making those profits, such as helping to pay for significant grid upgrades that give them access to the market.”

“We don't think it controversial to suggest that companies who seek to take value out of the energy market through profit should no longer expect a consumer funded free ride.”

Government policies that seek to supercharge renewable energy are also forcing rapid change and creating new risks for the energy market. A more thoughtful approach by these governments is required to ensure system strength and reliability are maintained.

“Unintended consequences of an uncoordinated approach to renewable energy is beginning to create problems in the NEM. More renewable energy is inevitable but a more thoughtful approach and possibly some level of government support for new grid infrastructure and storage would provide a smoother transition.”

The Australian Energy Market Commission is currently undertaking a review of access and charging arrangements that will hopefully address some of these issues. The EUAA are encouraged by this process and hope that stakeholders will keep an open mind to the prospect of sharing risks and costs as an equitable way to manage the transition of the NEM.

The EUAA is the peak body representing Australian industrial and commercial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing and materials processing industries. Combined our members employ over one million Australians, pay annual energy bills in the many billions of dollars and support the development of a lasting national energy and climate change plan that puts downward pressure on electricity and gas costs.

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