

## 2020 ISP – A MULTI-BILLION DOLLAR CONSUMER FUNDED PARTY

The peak body representing large commercial and industrial energy users, the Energy Users' Association of Australia (EUAA), has welcomed the release of the Integrated System Plan (ISP) developed by the Australian Energy Market Operator (AEMO) to enable the modernisation of our electricity grid. However, it cautioned that the costs and risks associated with it must be properly scrutinised, fully justified and ultimately shared amongst all beneficiaries, not just consumers.

“The 2020 ISP is a huge piece of work and recognise the challenges confronting AEMO as they try to chart a course for the energy system in very uncertain times,” said EUAA Chief Executive Officer, Mr Andrew Richards. “The cost of ISP projects is approaching \$25 billion and we must be careful to ensure that each part of the plan undergoes rigorous cost benefit analysis and that the costs are shared fairly.”

Network projects underpinning the 2020 ISP will unlock billions of new investments in power generation, batteries and a range of other technologies to support a rapidly changing energy market. While ISP projects will deliver benefits to consumers, they will also benefit generation asset operators and their shareholders, investors and in some cases state and federal governments all of whom get free market access via ISP projects.

“We don't want to spoil the party,” said Mr Richards. “But we are asking that the cost and risks that are associated with ISP (and other major network upgrades) are shared across all parties who benefit from it.”

“The 2020 ISP should not be seen as an automatic green light for investment, it is still a guide. It is not without risk with significant changes in technologies and usage patterns still to fully play out. We can't afford a new round of asset gold plating that may deliver expensive, under utilised network assets,” added Mr Richards.

An example of the significant risks consumers are being asked to carry can be seen with Project Energy Connect which is an actionable ISP project. This project has already achieved a level of regulatory approval but still has total capital costs varying between \$1,393B to \$2.587B. We also see that a significant number of Renewable Energy Zones (REZ) rely on it so it will provide free market access to a large number of private generators. At the very least these participants should cover some of the cost and risk of Project Energy Connect given they benefit significantly from it.

We are not necessarily opposed to this project, or any of the projects that make up the 2020 ISP, but we are concerned that consumers are yet again being expected to carry the entire cost and risk during a very uncertain period of transition. This really is a case of ‘many hands make light work’. As it stands, consumers may buckle under the strain if they are asked to do it all themselves.

Large energy users that produce essential goods and services used in the community every day are acutely aware of their energy consumption which, in some cases, adds up to \$1 million a day. They are increasingly acting to reduce their emissions and energy intensity while managing an increasing range of extra costs on their electricity bills.

Many have invested hundreds of millions into a range of programs including energy efficiency, system upgrades, storage, renewable energy, demand response and many other measures with the aim of reducing energy consumption, costs and emissions.

“Large energy users are happy to pay their way and make a fair contribution to the modernisation of our grid. They ask that other beneficiaries also do the same to deliver a fair outcome.”

Large energy users employ millions of Australians and make many essential goods used by the community each day including glass, toilet paper, food, building materials, and packaging. Then EUAA represents around 100 very large energy users operating across Australia.

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Media Contact: Emily Wood 0421 042 121