

### INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing and materials processing industries. Combined they employ over 1 million Australians, pay billions in energy bills every year and expect to see all parts of the energy supply chain making their contribution to the National Electricity Objective. Our members are highly exposed to movements in both gas and electricity prices and have been under increasing stress due to escalating energy costs.

As we noted in our previous submission on this matter, the EUAA recognises the need to comprehensively evaluate the best pathways to a decentralized and decarbonised electricity system. The challenges that uncertainty on the timing of thermal plant retirement, increasing extreme weather events and the integration of new and emerging technologies, all require sophisticated analysis tools. We support the development of the ISP and see it having a crucial role in facilitating this transition pathway at the most efficient cost to consumers, provided there is thorough, transparent and respectful engagement and robust, independent cost benefit analysis.

The AER has undertaken a very comprehensive and thorough engagement process in the development of these draft guidelines. We would like to acknowledge the excellent staff efforts to explain the details not just to the EUAA, but also the consumer advocates generally. This has been very valuable in our coming to the conclusions that:

- (a) We agree with the AER's proposed position in developing the guidelines, and
- (b) We agree with the level of prescription the AER provides in the guidelines.

We add some brief comments below on how the AER propose to deliver the guidelines. The EUAA looks forward to continuing its active role in stakeholder engagement as the 2022 ISP is being developed.

### OVERALL APPROACH TO THE DRAFT GUIDELINES

In our earlier submissions on both the Issues Paper and the ISP rules, key related themes were:

- the balance between prescription and flexibility, and
- the oversight being provided by the AER

We proposed a greater emphasis on prescription than flexibility and this was the majority view expressed in submissions to the AER on the Issues Paper<sup>1</sup>. The current arrangements, particularly with the CI 5.16.6 AER review, provided a lot of comfort to our members that only projects with strong positive net benefits would proceed and the risk of consumers paying for stranded assets was low. The recent AER review of EnergyConnect was a clear example of the rigor our members look for.

Given:

- the ISP rules around the Transparency Reviews on the IASR and the Draft Plan and the establishment of an ISP Consumer Panel with its IASR and Draft Plan reports,
- the Issues Register,

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<sup>1</sup> See Explanatory Statement p. 18.

- the application of the FBPG and the CBA Guidelines including the central role of transparency and stakeholder engagement, and
- the AER assessment of proposed expenditure associated with actionable ISP and non-ISP projects under the revenue determination process,

we have confidence that there will be an appropriate level of analysis and oversight under the ISP rules and the AER Guidelines.

We accept the proposed level of AEMO flexibility in selecting the optimal development path and look forward to seeing how it works out in practice. With one exception discussed below, we agree with the classification framework for whether the CBA Guidelines and FBPG are binding on AEMO and support the required transparency around the ‘must have regard to’ category.

We appreciate the increased level of information that will be provided to all stakeholders. As a general regulatory framework concept, more information is a necessary, but not sufficient, condition for better regulatory decision making. The EUAA will never be able to evaluate all of the increased information these guidelines will provide us. But the fact that it is published provides opportunity for other stakeholders with appropriate resources to engage more comprehensively.

We agree with the proposed approach to compliance and enforcement. We support the active involvement of the AER in the process of preparing the ESOO/IASR and the role of Transparency Reviews and reports by AEMO/TNSPs that are then reviewed by the AER. We look forward to being able to engage with the AER throughout the ISP process using the Issues Register and not having to wait for milestones e.g. publication of the IASR or the Draft ISP. Given that consumer advocates are unable to bring a dispute until after completion of the ISP, we look forward to the feedback processes during preparation of the ISP working effectively so that there is never any cause to get into a dispute process.

Perhaps our major concern when we read the Issues Paper was around transitional issues – to what extent will a project attain a status in the 2020 ISP that may not have achieved had the CBA guidelines and the FBPG actually applied during preparation of the 2020 ISP? We can understand why the CBA Guideline does not apply to a RIT-T where the PADR has already been published. However, we look forward to the feedback loop and the AER’s contingent project process ensuring that there are still a robust analysis of the net benefits giving comfort that the risk of projects with stranded asset risk being approved should be low.

## **DRAFT FORECASTING BEST PRACTICE GUIDELINE**

The EUAA supports the provisions of this draft guideline. We make the following brief comments:

### *Consultation principles*

Given that AEMO is ‘required’ to follow the Appendix A forecasting best practice consultation procedures when developing its ISP methodology, we submit that for this to work as intended requires the consultation principles in Chapter 3 be ‘required’ rather than ‘must have regard to’.

While AEMO must have regard to the AER’s consumer engagement guideline, best practice network consumer engagement has moved on since this guideline was developed in 2013 as part of the Better Regulation Reform programme, not the least because of the removal of limited merits reviews in 2017.

It has also been driven by the recognition of the huge information asymmetry between the network and the consumer. Those networks leading best practice consumer engagement recognise that simply providing significant amounts of ‘relevant and timely’ (p.11) information in an understandable form is but one part of effective

engagement. They recognise the benefits of deep and long-lasting engagement with consumers to improve their skills and understanding of the information provided.

The 2103 guideline did mention the IAP2 spectrum in a general way, but it is now much more explicitly applied. For example, networks will detail all aspects of their engagement and where engagement on that aspect sits on the IAP2 spectrum e.g. WACC is in 'inform' given it is a binding guideline, aspects of capex and opex are 'involve' and contingent and ISP projects are 'collaborate'<sup>2</sup>.

As we noted above, even with all this information and engagement, we expect consumers and their advocates will still be overwhelmed with the amount and complexity of the information that will be provided. This is where the oversight framework discussed above will be so crucial to ensure compliance.

We look forward to supporting AEMO as it develops and implements its consumer engagement strategy.

*How is 'material' defined?*

There are numerous references to action to be taken when there is a "material" change in circumstances or impact on a forecast e.g. AEMO required to review its Forecasting Approach (p.7), IASR updates (p.7), out of cycle updates to the ESOO (p.8), optimal development path (p.9). If it is AEMO which assesses whether a change is material, is there the option of other stakeholders raising an issue through the Issues Register about an issue they think is material? If so, what process happens to judge whether AEMO should consider it?

Please do not hesitate to be in contact should you require additional information.



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<sup>2</sup> This example draws on the Powerlink Engagement Plan for the 2023-27 Revenue Determination Process  
<https://www.powerlink.com.au/customer-panel>