

8 March 2019

Dr Kerry Schott AO
Chair
Energy Security Board

Submitted via email to: info@esb.org.au

Dear Dr Schott,

Re: Strategic Energy Plan Draft Metrics Consultation Paper

Stanwell welcomes the opportunity to contribute to this second stage of consultation on the metrics for the Strategic Energy Plan and we appreciate the effort the Energy Security Board (ESB) has undertaken to respond to stakeholder feedback in generating this latest draft.

While the ESB has successfully reframed the metrics so that they do not represent targets, some of the draft metrics represent enablers and thus could be consolidated with others. Additionally, acknowledging that the draft metrics for each outcome aren't mutually exclusive but can be a relevant measure for multiple outcomes has enabled Stanwell to reduce the proposed 56 draft metrics into 31.

The table below outlines Stanwell's suggestions for 31 draft metrics, five of which are new, with high level comments on their appropriateness. The new metrics and amendments to the proposed draft metrics are indicated in bold text. Attachment A provides more detailed comments on all 56 draft metrics and the rationale for their appropriateness in this context.

AFFORDABLE ENERGY AND SATISFIED CUSTOMERS	
Draft metric	Comments
<i>Energy is increasingly affordable for all consumers, supported by adequate consumer protections and access to dispute resolution</i>	
Representative domestic retail tariffs in each NEM-region	Metrics have been condensed to more effectively capture the intent and remove duplication. The metric for energy stress still requires some consideration.
Consumer perceived value for money	
Number of consumer disputes/complaints to retailers and ombudsman schemes	

Low-income high-cost: Number of households with income below poverty line**	
Representative C&I energy prices. Comparison with international counterparts.	
<i>Consumers are able to easily identify and secure the best deal for their circumstances including being empowered to manage their demand</i>	
Consumer confidence in ability to make choices about energy products and services including distributed energy and energy efficiency solutions.	This consolidates the empowerment metric to reflect that this should also be about the ability to access DER products and services.
<i>Vulnerable consumers are on suitable pricing plans, receiving concessions when needed, and can benefit from distributed energy and energy efficiency schemes.</i>	
% hardship customers on best market contracts	May be best to incorporate with the hardship metric of above.
SECURE ELECTRICITY AND GAS SYSTEM	
<i>Markets operate safely, securely and efficiently, under full range of operating conditions, with minimal intervention</i>	
Number and nature of electricity supply interruptions due to system security concerns, and compliance with operating standards and maintaining the system in a satisfactory state	This metric needs to be more specific on the operational requirements and accountabilities to recognise that supply interruptions are not the only indication that the market is operating safely, securely and efficiently under the range of operating conditions. This is also consistent with the metric related to reliability.
Hours of high pressure gas pipeline not operational	Agree, the Gas Bulletin Board should report availability for all pipelines.
<i>System planning and development is informed by clear and transparent rules</i>	
Cyber-security Framework Implementation for high and medium risk participants within established timeframes	The proposed metrics in this category are appropriate but overlap with the governance outcome. Cybersecurity frameworks can be standalone.
Rules consistently treat new technology and business models equally	Rules need to be adaptive and flexible to recognise the changing technology mix, and should not present any barriers to participation. This should also include treating supply and load equally where appropriate.
Processes, systems and tools appropriate for managing the system	Given the significant changes in the operational dynamics of the power system, there also needs to be clear developments in models, tools and processes that are utilised to operate the system and also provide future investment signals.

RELIABLE AND LOW EMISSIONS ELECTRICITY AND GAS SUPPLY	
<i>Electricity and gas sectors efficiently deliver at least their share of emissions reduction target/s while ensuring reliable supply</i>	
Electricity and gas sector emissions as a proportion of national emissions. Compare sectoral emissions intensity with economy wide target/s	Emissions intensity removes any distortions when comparing sectors and allows for fuel switching.
Amount of USE (with reference to reliability standard)	Appropriate
Total cost of RERT (\$)	Need to be cognisant of the costs of procuring versus activation. Perhaps benchmark against Value of Customer Reliability and distinguish between Procurer of Last Resort and other RERT.
<i>Investors efficiently manage risk to support investment, operation, retirement and innovation decisions</i>	
Mean percentage error of AEMO annual operational consumption forecast versus actual over all operational timeframes. Suggest more granular metrics here based on the relevant operational processes	Forecasting underpins the efficient, secure and reliable operation of the power system from pre-dispatch to the longer-term horizons.
Investment in domestic gas resources and forecast gas supply adequacy	Appropriate as a standalone for gas and not electricity as gas supply adequacy represents a fuel source adequacy, which is different to electricity supply adequacy.
Investors are given the right investment signals with system models evolving to be fit-for-purpose	The ESB will also need to consider expanding this metric to consider whether the models are providing the right investment signals and are fit-for-purpose. That is, signals extend beyond supply adequacy.
EFFECTIVE DEVELOPMENT OF OPEN AND COMPETITIVE MARKETS	
<i>Wholesale and retail markets are competitive and deliver efficient outcomes for consumers</i>	
Average forward swap and cap contract prices for electricity in line with LRMC of new entrant, by region where available Standard products are available with multiple buyers and multiple sellers	This metric is likely to either lead to unintended consequences or be ineffective. It is unlikely to be efficient for this metric to be met in any given year, and it does not take into account the nature of future investments. It is also unclear how this metric relates to retail markets being competitive and delivering efficient outcomes.
Retail and wholesale contract gas prices reflect netback/export parity plus transport and other	

relevant costs.	
<i>Deep, liquid and transparent financial markets for electricity and gas and related services</i>	
Ratio of contract volume (both volumes traded and open interest) to demand for electricity and gas	Financial market evolution may be best measured by the number of new products offered and/or their uptake. For example, solar day shape hedges, aggregators, etc.
Gas trading volumes for commodity and transportation	
Liquidity of east coast gas pipeline capacity	
Evolution of new financial products	
<i>Access to efficiently priced fuel and transport</i>	
Transparency of fuel reserves and prices (coal, gas, hydro) for market participants	Need to clarify what level of transparency. Also, this is more complicated for some fuels that also rely on transport volume contracts etc.
<i>Innovation is incentivised and enables value from new technologies</i>	
None	Metrics were either inappropriate, absorbed into others or not a high priority.
EFFICIENT AND TIMELY INVESTMENT IN NETWORKS	
<i>Investment solutions are optimal across all resources</i>	
Effective management of congestion levels on electricity transmission/distribution networks and gas pipelines including cost of constraints	Congestion levels could be an indication of not just insufficient network capacity but whether the planning signals have been adequate. Need to ensure that network investment is not reactive. The three metrics originally here can be merged into one.
% customers with retailer exposed to cost reflective network tariff**	The usefulness of this metric can only be fully realised if tariff reform in general is considered.
Time taken to assess network investment proposals in line with best practice international regulatory processes.	Regulation metric is absorbed into the governance metrics below, while the DER metrics are enablers not outcomes and are already captured elsewhere.
STRONG BUT AGILE GOVERNANCE	
Energy market institutions have published and co-ordinated priorities, work programs and outcomes, with regular reporting	Includes the roadmap or emerging issues identification. This can also include reporting on things like regulatory trials.
Market bodies' outcomes in line with their statements of expectations.	This includes the metrics related to business as usual roles of the energy bodies such as rule change processes.
Actions justified by sound engineering, technical or economic analysis	Given the pace of change, important that the industry has transparency of the emerging challenges and new frameworks.



Stanwell appreciates the difficulty in developing metrics for an industry in transition and thanks the ESB for considering this submission on the Strategic Energy Plan metrics. Stanwell welcomes the opportunity to further discuss this submission; please contact Alison Demaria on (07) 3228 4588 or alison.demaria@stanwell.com.

Regards

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