

10 January 2024

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Dear Ms Knights,

RE: Consultation Paper: Amendments to the *Electricity (General) Regulations 2012* to establish a new planning and forecasting function

The South Australian Council of Social Service (SACOSS) is the peak body for non-government, not-for-profit health and community services in South Australia, with a mission to advocate for the interests of people on low incomes or experiencing disadvantage across the state. We thank the Department for Energy and Mining (the Department) for the opportunity to comment on its 'Amendments of the *Electricity (General) Regulations 2012* Consultation Paper' (the Consultation Paper) dated December 2023 and *Draft Electricity (General) (Planning and Forecasting Function) Amendment Regulations 2023*, dated 30 October 2023 (the Draft Regulations).

The Consultation Paper is seeking feedback on Draft Regulations establishing a state-based electricity planning and forecasting function for the Office of the Technical Regulator (OTR). The proposed new function will include the OTR undertaking the following activities:

- planning and forecasting to assess the 'least cost pathway' for the development of the South Australian power system
- regular six-monthly reporting to the Minister and annual public reporting through the development of a South Australian Electricity Development Plan (the Plan)
- advising the Minister on the development of the South Australian power-system, at the Minister's request or the OTR's own initiative.

Underpinning this submission is the central principle that electricity is essential to life and it is vital that all consumers, particularly people on low-incomes or experiencing disadvantage, have equitable access to affordable, clean and reliable electricity.

As outlined in the Consultation Paper, we strongly agree that there are significant challenges ahead for governments, industry and households associated with the transition to 100 per cent renewables by 2030 and net zero carbon emissions by 2050, with South Australia facing particular challenges not currently faced by the eastern states. We are increasingly

concerned about the pace of change and the resultant cost impacts of the transition disproportionately falling on low-income and disadvantaged households in South Australia. SACOSS believes there is an urgent need for a thorough consideration of the inequitable cost impacts of the transition at every level of energy policy development and decision-making, and we have joined together with other Councils of Social Service across Australia to call for Energy Ministers to include an Energy Equity and Inclusion workstream in the National Energy Transformation Partnership.¹ The development of a South Australian Electricity Development Plan, as proposed under the Draft Regulations, represents a clear opportunity for the South Australian government to embed core considerations and inputs to not only address current and future inequities created by the energy system, but to also embed positive outcomes for First Nations people in this state.

Whilst SACOSS broadly supports the development and resourcing of state-based expertise and energy-system planning to assess a ‘least cost pathway’, we have several questions around the OTR’s proposed new planning and forecasting function as contained in the Draft Regulations, including:

- Will the Department explicitly include a consumer objective within the Draft Regulations and proposed new functions and powers, given promoting the long-term interests of consumers is the overarching objective in energy system planning?
- Will there be consumer and community engagement plans in place, including priority engagement with First Nations communities to embed First Nations outcomes in South Australian electricity system planning?²
- What does ‘least cost pathway’ mean, is this least cost to consumers?
- What inputs and assumptions will the OTR consider in its assessment? For example, will the impact of excess rooftop solar generation on retail wholesale costs passed onto consumers be considered in an assessment of the ‘least cost pathway’?
- Will an assessment of the ‘least cost pathway’ involve equitable considerations, including a distributional cost impact analysis of solar vs. non-solar households?
- How will the new planning and forecasting functions feed-into, or otherwise interact with AEMO’s forecasting functions? Will there be inefficiencies or overlaps?
- Will AEMO continue to produce the *South Australian Electricity Report*?³
- The Minister is given broad discretionary powers under the Draft Regulations to direct the OTR in its reporting functions, to be provided by ‘written notice’. Will this ‘written notice’ be published in the Gazette, or will there be any transparency or consultation around the ‘objectives, principles, standards or targets’⁴ which the Minister may direct the OTR to ‘take into account’ when preparing its reports?

¹ ACOSS et al, Letter to South Australia’s Energy Minister the Hon Tom Koutsantonis MP, dated 1 November 2023

² First Nations Clean Energy Network, [‘First Nations and the Clean Energy Transition: Emerging Issues in New Transmission Infrastructure’](#) December 2023, which found there is a lack of commitment to embedding First Nations outcomes in transmission planning prior to decision-making.

³ AEMO, [South Australian Electricity Report](#), November 2023

⁴ [Draft Electricity \(General\) \(Planning and Forecasting Function\) Amendment Regulations 2023](#), dated 30 October 2023, Reg 13B(2)(b)

- The OTR's proposed new functions and powers have the potential to significantly impact investment, policies and decision-making across the energy system, which in turn will impact the affordability, accessibility and reliability of an essential service for South Australian households. Given the consumer impacts, should these powers be more properly contained within the governing legislation?

We will expand on the reasons for some of our questions in more detail, below.

Will there be a consumer focus within the Draft Regulations and proposed new functions and powers?

The Australian Energy Market Operator's (AEMO's) Integrated System Plan (ISP) is a plan 'for the efficient development of the power system that achieves power system needs for a planning horizon of at least 20 years for the long-term interests of the consumers of electricity'⁵, taking relevant government energy policies into account. AEMO's Draft 2024 ISP states:

The objectives of the ISP align with the National Electricity Objectives, which are to promote efficient electricity services for the long-term interests of consumers. This takes in three sets of considerations: reliability and security, price and quality (affordability), and the need to reduce Australia's greenhouse gas emissions.⁶

Notably, and in contrast to the National Electricity Objectives, there is no mention of 'consumer' in the Draft Regulations. The Consultation Paper refers to the objects of the *Electricity Act 1996* (the Act) and specifically identifies the object 'to promote efficiency and competition in the electricity supply industry'⁷ as the aim to be achieved by the new functions under the Draft Regulations.⁸ Whilst SACOSS fully supports this objective, we note there is no reference within the Consultation Paper to the further objective of protecting 'the interests of consumers of electricity'⁹, also contained within section 3 of the Act. We are urging the Department to amend the Draft Regulations to specifically include a reference to 'protecting the interests of consumers' in line with the objects of the Act, and the National Electricity Objectives as apply to AEMO in developing the ISP.

Will there be consumer and community engagement plans in place, including priority engagement with First Nations communities to embed First Nations outcomes in electricity system planning?

A recent report by the First Nations Clean Energy Network on *Emerging Issues in Transmission Infrastructure*¹⁰ highlighted the absence of any structural frameworks

⁵ National Electricity Rules (NER), 5.22.2

⁶ AEMO, [2024 Draft Integrated System Plan](#), 15 December 2023, p.36

⁷ [Electricity Act 1996](#), section 3(a)

⁸ DEM, [Amendments of the Electricity \(General\) Regulations 2012 Consultation Paper](#), December 2023, p. 8

⁹ [Electricity Act 1996](#), section 3(e)

¹⁰ First Nations Clean Energy Network, [First Nations and the Clean Energy Transition: Emerging Issues in New Transmission Infrastructure](#) December 2023

embedding First Nations outcomes in the funding, planning, investment, construction and operation of transmission networks across the NEM, despite the Federal Government's Rewiring the Nation commitments. The Report states:¹¹

'Our review of State government transmission approaches and First Nations outcomes reveals both inconsistency, and a lack of accountability for ensuring that commitments to First Nations outcomes, such as participation, co-design and co-ownership occur prior to decision making.'

Community engagement is essential to fostering, obtaining and maintaining social license amongst landholders, the broader community and to securing positive outcomes for First Nations communities.

SACOSS is seeking feedback from the Department on its plans for community engagement, to ensure all interests are considered, support is obtained and outcomes are embedded within the proposed Electricity Development Plan. In relation to the Rewiring the Nation funding, it is worth pointing to the Western Australian announcement which states that *'the Australian and WA Governments will work closely with First Nations Australians to understand their views on this investment and support their participation in the state's clean energy transformation.'*¹²

The 'least cost pathway'

South Australians continue to pay the highest price per unit of electricity in the Nation,¹³ and the current cost of living and energy affordability crisis is placing unsustainable pressures on South Australian households and small businesses. We remain deeply concerned about the increasing inequity in the distribution of electricity costs across all elements of the price stack. Non-transparent retail trading practices and risk management strategies, as well as an increasingly volatile wholesale market and the future costs of the energy transition (including forecast network expenditure and metering costs), all combine to place additional and increasing cost and risk burdens on consumers. Low-income households, renters and others unable to reduce grid consumption through access to distributed energy resources, disproportionately bear the burden of these costs. We believe a state-based Electricity Development Plan represents an important opportunity for all these matters to form inputs into energy planning in this state, to ensure an equitable transition.

Whilst SACOSS fully supports the proposed role of the OTR to assess the 'least cost pathway' for the development of the South Australian power system, we are seeking further clarity on what is meant by 'least cost pathway' under the Draft Regulations. SACOSS is strongly of the view that all energy policy, planning and decision-making must have the overarching objective of ensuring South Australian energy consumers are protected from unfair and

¹¹ First Nations Clean Energy Network, ['First Nations and the Clean Energy Transition: Emerging Issues in New Transmission Infrastructure'](#) December 2023, p. 8

¹² First Nations Clean Energy Network, ['First Nations and the Clean Energy Transition: Emerging Issues in New Transmission Infrastructure'](#) December 2023, p. 8

¹³ AER, [Annual Retail Market Report 2022-23](#), 30 November 2023, Figure 2.2

unreasonable energy costs, both now and into the future. We therefore consider the ‘least cost pathway’ must be centred around cost impacts for consumers, particularly low-income households, renters and others who are unable to access roof-top solar and avoid grid-consumption. We are urging the Department to ensure the objectives of the new planning function align with the National Electricity Objectives and include equitable considerations.

Inputs into an assessment of the ‘least cost pathway’ and the inclusion of a distributional cost impact analysis

As noted in the Consultation Paper, South Australian households face particular challenges that are not yet being experienced in other states. For example, AEMO’s recent *South Australian Electricity Report* noted that:¹⁴

‘As households and businesses supply more of their own energy from distributed PV and storage, they draw less electricity from the grid. Operating a power system with unprecedented levels of distributed PV and declining levels of operational demand creates challenges and opportunities that are particularly pertinent to South Australia.’

It is clear the high penetration of rooftop solar and the operation of the wholesale market in South Australia are not benefitting all consumers through lower energy bills.¹⁵ Whilst AEMO predicts that greater orchestration of generation over the next 10 years will lead to reduced wholesale costs for consumers, SACOSS remains deeply concerned about the wholesale energy cost impacts on households (both now and into the future), and have previously highlighted the stark disparity between the low wholesale spot prices in South Australia and the high wholesale costs paid by consumers.¹⁶ DMO 5 saw South Australian households experience a 68% increase in the wholesale cost component of the DMO,¹⁷ with wholesale costs now representing 44% of the price stack. As noted above, we are particularly concerned about low-income households, renters and consumers in vulnerable circumstances who face barriers to accessing renewable technology and are shouldering the burden of the costs of the system through higher average grid consumption, without any ability to source energy from behind the meter during the day.

The AER’s recent Default Market Offer Issues Paper 2024-25¹⁸ once again highlighted the specific issues facing South Australian energy consumers as a result of surplus rooftop solar generation. Whilst the Consultation Paper considers this is an ‘enviable position’ for the state to be in,¹⁹ there are clearly flow-on risks for energy retailers, ultimately paid for by consumers, and disproportionately by low-income households.

¹⁴ AEMO, [South Australian Electricity Report](#), November 2023, p. 64

¹⁵ South Australian Productivity Commission, [Inquiry into South Australia’s renewable energy competitiveness: Final Report](#), 10 August 2022 (published 9 November 2022), p. 7

¹⁶ SACOSS, [Submission to the AER on the DMO Issues Paper 2023-24](#), p. 8

¹⁷ AER, [Default Market Offer Prices 2023-24 Final Determination](#), p. 27

¹⁸ AER, [Default Market Offer Issues Paper 2024-25](#), October 2023

¹⁹ DEM, [Amendments of the Electricity \(General\) Regulations 2012 Consultation Paper](#), December 2023, p. 4

SACOSS is calling on the Department to ensure the wholesale costs faced by South Australian consumers (not the wholesale spot prices, but the actual wholesale component of the bill), forms a consideration for the OTR when assessing the 'least cost pathway' for the development of the South Australian Power System.

Also, a distributional analysis of household grid consumption based on network data is a necessary input into policy-making to ensure an equitable transition. We know households that are unable to access rooftop solar and consume more energy from the grid, pay disproportionately more for network costs, and this inequitable distribution of costs is likely to worsen throughout the transition (particularly in light of increased transmission expenditure). We would like to see the OTR directed to undertake a distributional cost impact analysis to ensure policy development and planning aim to ensure cost impacts are more equitable and low-income households, renters or those who are unable to access rooftop solar are not disproportionately paying for the changing energy system. Gaining a clearer understanding of grid consumption differences between customers groups may require the development of additional reporting requirements for the distributor in this state.²⁰

South Australians are facing, and will continue to face, significant change and challenges throughout the energy transition. SACOSS is overwhelmingly concerned with ensuring fair outcomes for those who may be left behind through no fault of their own. Equitable considerations and a distributional analysis of energy system cost impacts are necessary inputs into assessing the 'least cost pathway' and to achieving the fundamental right of *all* energy consumers to be able to access energy on fair and just terms.

If you have any questions in relation to this submission, please contact Georgina Morris at georgina@sacoss.org.au or 8305 4214.

Yours sincerely,



Dr Rebecca Tooher
Director of Policy and Advocacy
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²⁰ SACOSS, [Submission to the AER on the Performance Reporting Procedures and Guidelines](#), 7 August 2023