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Monday, 21 August 2023

Ms Anna Collyer
Chair
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Dear Ms Collyer

Consultation on AEMC guide to applying the emissions reduction objective

Transgrid welcomes the opportunity to respond to the Australian Energy Market Commission's (**AEMC**) '*AEMC guide to applying the emissions component of the national energy objectives*' consultation paper (**consultation paper**) published on 24 July 2023. This follows Energy Ministers approving an update to the energy objectives to embed emissions reduction as part of the long-term interests of energy consumers.

Transgrid operates and manages the high voltage electricity transmission network in NSW and the ACT, connecting generators, distributors and major end users. Our transmission network is at the heart of the National Electricity Market and is vital to achieving NSW and ACT Government net-zero emissions targets, by connecting geographically and technologically diverse low-cost renewable generation.

We support an emissions reduction objective in the national energy objectives, which is consistent with the unanimous commitment from Australian governments to achieve net zero emissions, by 2050 or earlier. We consider this change will facilitate more effective coordination across the energy industry to support achievement of government net zero targets and secure social licence through the transition.

The AEMC note in the consultation paper that once the emission reduction objective applies, it will shift to internalising emission reductions considerations in its decision making for its rule changes and reviews. Transgrid supports this shift and encourages further efforts to inform stakeholders, including consumer advocates, in understanding the impact of these changes.

We provide feedback on the following key areas:

1. The AEMC's approach to applying the emissions reduction objective to its decision making.
2. The role of the target statement in operationalising the emissions reduction objective.

1. The AEMC's approach to applying the emissions reduction objective to its decision making

We understand this guide will be used by the AEMC when applying the emissions reduction component alongside other considerations in the objectives, in decision making for its rule making and reviews. The AEMC guide details the key elements of its approach as:

- For each of its projects, it will consider the impact of the proposed reform on the ability to meet emissions reduction targets. If the proposed reform is likely to have an impact, it will include emission reduction impacts as one of the assessment criteria to use throughout the project.
- For projects that will have emission reduction impacts as one of the assessment criteria, where possible the AEMC will quantitatively value emissions reductions but may have to qualitatively assess in some circumstances. Quantitative valuations are expected to utilise the value, or method to calculate a value, of emissions reductions expected to be published by the Commonwealth.

The AEMC additionally notes that it is undertaking work on how to estimate the volume of emission reductions for rule changes, including on the scopes of emissions and sectors that should be considered.

Transgrid feedback on the AEMC's approach

We support the proposed approach and use of applying quantitative and qualitative assessment as appropriate. For the final guidance, we encourage the AEMC to include:

- A more detailed approach and principles to guide when and how the AEMC will use quantitative vs qualitative analysis. This could include additional hypothetical examples.
- Detail on the scopes of emissions and sectors that should be considered.
- Practical examples of how the AEMC expects it would apply a value of emissions reduction.
- How the AEMC will apply discretion in balancing emission reductions considerations with the other existing energy objectives (price, quality, safety, reliability and security of supply etc). We encourage this to include explanation on how to balance a qualitative benefit, such as increased social licence in some form, with a clear and quantifiable increased 'cost'.

This additional guidance will help inform market participants and consumer advocates, in understanding the impact of these changes on AEMC rule making and review processes.

2. The role of the target statement in operationalising the emissions reduction objective

The legislative package includes a requirement for the AEMC to develop a 'targets statement' that lists government targets the market bodies should consider when applying the emissions reduction objective. Energy Ministers can direct the AEMC to include or remove a target. The statement will cover targets:

- for reducing Australia's emissions
- likely to contribute to reducing Australia's emissions (e.g. renewable energy targets).

The AEMC note that it intends to publish the initial 'targets statement', alongside this guidance, when the changes to the objectives take effect. Energy ministers can direct the Commission to include a target in, or remove a target from, the targets statement.

Transgrid feedback on the targets statement

We encourage the AEMC to carry out a consultation process to gather feedback on the targets statement when it is published. This will assist Energy Minister's in their decision making on including certain targets or providing additional detail to the statement. This would help ensure the targets statement can meet its intended objective when being applied to network planning and investment processes.

Specifically, we would support the setting of both base and aspirational targets in the targets statement where possible. This would allow for clarity on how to apply targets in scenario planning for base and higher emissions reduction ambition scenarios.

Closing

We would welcome the opportunity to further discuss the AEMC's draft guide to applying the emissions reduction objective. If you have any questions on this letter, please feel free to contact me or Sam Martin at Sam.Martin@Transgrid.com.au.

Yours faithfully



Maryanne Graham

Executive General Manager, Corporate & Stakeholder affairs