

24 July 2024

Hon. Chris Bowen MP
Minister for Climate Change and Energy
Commonwealth Government

Lodged via email to: energy.consult@dpie.nsw.gov.au

Dear Minister,

Response to Commonwealth Government’s Exposure Bill and Rule on the Orderly Exit Management Framework

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback on the Commonwealth Government’s Draft Exposure Bill and Rule on the Orderly Exit Management Framework (OEMF) released in June 2024.

CEIG represents domestic and global renewable energy developers and investors, with more than 16GW of installed renewable energy capacity across more than 76 power stations and a combined portfolio value of around \$38 billion. CEIG members’ project pipeline is estimated to be more than 46GW across Australia. CEIG strongly advocates for an efficient transition to a clean energy future on behalf of the investors who will provide the low-cost capital required for this transition.

Key Points

- **CEIG supports the changes that have been made to the OEMF based on our previous submission.**
- **CEIG is reiterating our key concerns with the initial OEMF design that have not been remedied**, as these concerns will hinder effective planning and investment in renewable energy projects, affecting the transition to a clean energy future.
- **Recommended changes:**
 - Clear understanding of financial compensation and terms in contracts.
 - Mandatory robust market sounding approach for alternative solutions.
 - Mandatory assessment of alternative solutions for all thermal generators under the OEMF, regardless of their planned closure dates.

- Mandate restricted operation of thermal generators to reduce market impacts, provide greater predictability, and minimise emissions.
- Mandatory consideration of emission reduction objectives in evaluating alternative solutions.

GENERAL COMMENTS

CEIG appreciates that some of our feedback from our previous submission on the OEMF has been incorporated¹. We support the following changes:

- The requirement for the Jurisdiction Minister to provide reasons when issuing a shortfall notice, entering into a voluntary agreement with an OEM Generator or issuing a Mandatory Operation Direction (MOD).
- The publication of the Australian Energy and Market Operator's (AEMO) advice for alternative solutions if a voluntary agreement is made.
- Leveraging the existing distributed network service provider (DNSP)-based jurisdictional scheme for transmission network service provider (TNSP) cost recovery under the OEMF.
- The incorporation of mechanisms within the OEMF to consider emission objectives, providing the emissions estimates to inform the Jurisdiction Minister's decision regarding the continued operation of the OEM Generator and potential alternative projects.
- The Jurisdiction Minister can only issue a MOD as a last resort, must confirm that no reasonably practical alternatives exist including new investments, and must impose a strict limit on the MOD's duration.
- The design provisions to limit the risk of perverse incentives for generators to bring forward closure dates, ensuring reliable and affordable energy supply.

RECOMMENDED CHANGES

CEIG acknowledges the governments' concerns about system reliability and the need for a transparent, coherent process for managing the retirement of thermal generators. Clarity regarding thermal generator closure dates is crucial for boosting investor confidence.

CEIG identified several key concerns with the initial proposed design of the OEMF². We highlight that several of our significant concerns remain unresolved by Exposure Bill and Draft Rule. Thus, we are further raising the most significant of our concerns, as addressing them is crucial for effective planning and investment in renewable energy projects and addressing them will facilitate a smoother transition to a clean energy future.

Transparency in contracts and financial compensation terms

One of the key issues raised in CEIG's submission is the necessity for transparency in

¹ CEIG (Feb-24) [Response to NSW and Commonwealth Government's consultation paper on Orderly Exit Management Framework](#)

² CEIG (Feb-24) [Response to NSW and Commonwealth Government's consultation paper on Orderly Exit Management Framework](#)

contracts, particularly concerning financial compensation and terms. While it is understandable that certain “commercially sensitive information” may not be made public, it is essential that all stakeholders have a clear understanding of the compensation structures. Clarity in agreements concerning financial compensation and terms is crucial for effective planning and investment in renewable energy. This transparency aids in preventing any hindrance to renewable energy investments caused by obscured signals within the investment landscape.

Market sounding in the search for alternative solutions

CEIG previously highlighted the importance of a robust research process for alternative solutions. However, the current provisions do not mandate a market sounding approach. Although the process has been amended to require the Jurisdiction Minister to include reasons for not undertaking a market sounding, CEIG believes that mandating this approach would ensure a more comprehensive evaluation of all potential solutions.

Assessment of alternative solutions for all thermal generators

CEIG believes that a voluntary agreement should not be negotiated until the search for alternative solutions has been completed. Allowing parallel negotiations undermines the purpose and significance of exploring alternative solutions. CEIG recommends that the search alternative solutions be completed before considering a voluntary agreement or notice for mandatory operation.

Additionally, it was determined that generators with less than 30 months until closure are exempt from the requirement to undertake an assessment for alternative solutions. CEIG argues that all thermal generators under the OEMF should be subject to an assessment of alternative solutions, regardless of the timing of their planned closure dates.

Unrestricted operation

CEIG understands that the MOD Generator may not necessarily be limited to operation based on what is absolutely required, and unrestricted operation, accompanied by performance obligations, was chosen as the preferred option. However, CEIG believes that restricting operations will reduce market impacts, offer investors greater predictability, and minimise emissions.

Accounting for emissions objectives

While the OEMF includes mechanisms for considering emission objectives, it is crucial that these considerations are made mandatory. CEIG believes that the respective State’s emission reduction objectives should be integral to the evaluation of potential alternative solutions. CEIG notes that the amended National Energy Objectives (NEO) now include emission reductions, thereby increasing the significance of cleaner alternatives over maintaining the operation of a thermal plant³. CEIG believes that this information will further guide the decision-making process for the Jurisdiction Minister.

³ Australian Government (Jun-23) [Incorporating an emission reduction objective into the national energy objectives](#)

Addressing these unresolved issues is imperative to create a robust and transparent framework that supports the efficient transition to renewable energy. We urge the government to consider these recommendations and provide the necessary clarifications and adjustments to the OEMF.

CEIG thanks the Commonwealth Government for the opportunity to provide feedback on its Orderly Exit Management Framework Draft Exposure Bill and Rule and looks forward to continued engagement on those issues. Our Acting Policy Director can be contacted at daniel.zelcer@ceig.org.au if you would like to further discuss any elements of this submission.

Yours sincerely,



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