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## **ETU Submission – Response to Consultation Paper and Draft Rules – Interim REZ framework**

The Electrical Trades Union of Australia (ETU) is the Electrical, energy and Services Division of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia (CEPU). The ETU represents approximately 61,000 electrical and electronic workers around the country and the CEPU, as a whole, represents approximately 100,000 workers nationally, making us amongst the larger trade unions in Australia.

The ETU welcomes the opportunity to make a submission on the Consultation Paper and Draft Rules – Interim REZ framework.

The ETU's experience with the National Energy Market (NEM) and National Electricity Rules (NEL) to date has been that they have seriously failed to deliver any broad economic benefit to anyone other than company shareholders.

While profits year on year remain stubbornly high the same cannot be said for the many metrics that actually matter to Australian workers and consumers.

ETU members have observed a steady decline in:

- the quality of the assets
- the safety and reliability of the network
- the maintenance standards
- the numbers of apprentices and trainee's
- the number of jobs and regional depots
- the response times and level of customer service provided to consumers
- power restoration timeliness following increased outage frequency
- the ability to efficiently respond to the increase in extreme weather events

In fact, the only thing to rise alongside company profits are consumers power prices and the annual regulatory costs associated with maintaining an artificial electricity market.

The Integrated System Plan provides an opportunity to reverse these trends and proper REZ planning arrangements could deliver a much broader and more beneficial transition to low emissions energy. But it will not happen automatically, and it certainly won't happen absent meaningful consultation with the workers and communities affected by these decisions.

The ETU's response to the consultation questions are framed in this context, absent a new approach, with a proper broad economic benefit analysis at the centre of any planning, this process will simply lead to higher regulatory burden with limited community benefit.

**Question 1** If implemented, should the REZ planning arrangements outlined in Chapter 3 be a permanent feature of the regulatory framework or only apply on an interim basis?

If REZ planning arrangements are to be established, then it makes sense to establish them as a permanent feature of the regulatory framework providing certainty to a sector that has long suffered regulatory uncertainty. However, there is little value in establishing REZ planning arrangements either temporarily or permanently if they aren't established with the right regulatory settings and overarching principles to ensure they deliver a much broader economic benefit than the current narrow frame that has been applied for over a decade.

Entrenching a new process that delivers a continuation of inadequate investment in network augmentation and expansion will only continue to keep electricity prices high and jobs, quality, and reliability low.

**Question 2** Should the REZ planning framework promote a staged approach to REZ development?

There is already significant investment both occurring and being announced, particularly in transmission and generation in the energy sector. Large sections of new generation construction are being built with foreign labour and absent any leveraging of local supply chain manufacturing and service delivery opportunities. Solar farms in Victoria and NSW were built with greater than 50% of the workforce engaged via working holiday visa's in regions with greater than 20% unemployment. Provision of training and apprenticeship opportunities is close to non-existent.

Components of these installations are almost entirely sourced from overseas, shipped in then transported to site with very low investment in local manufacturing.

The main bidders on Transmission upgrades such as the SA – NSW interconnector have openly stated to the ETU they intend to bring most of the transmission qualified workforce in from overseas on temporary work arrangements.

In addition, the connection uncertainties presented to project proponents are creating deeply problematic negative impacts. The high rates of insolvency, poor quality installations and limited investment in local jobs, skills and training is driven in part by the complete absence of proper planning and deployment of transmission augmentation, upgrades, and expansion.

Lastly, the REZ planning framework should act as an alternative test to satisfy the Regulatory Investment Test – Transmission (RIT-T) framework. RIT-T has proven to be a largely inefficient, time wasting, expensive and burdensome regulatory process delivering large amounts of uncertainty and limited benefit to either consumers, generators, or the network.

In order for the REZ planning framework to deliver a proper economic benefit to the regions and communities within the REZ, a properly planned and staged approach will be critical to skills development, workforce planning, quality of work, supply chain procurement opportunities and maximising community benefits.

### **Question 3 Should the Jurisdictional Planning Body (JPB) be responsible for designing REZs?**

Embedded in this question is the problem of the suitability, representative nature and appropriateness of Jurisdictional Planning Bodies (JPB). The proposed rule change should introduce clear overarching parameters for the establishment of JPBs including the potential delineation of JPB's for regular network planning and distinct JPBs for REZ planning.

This is an opportunity to review the criteria for a JPB, including:

- who they represent
- how they manage conflicts of interest
- how they consult and with whom
- their composition, and
- their objectives

There are considerable risks in embedding existing JPB's as the bodies with oversight of REZ planning. While some of the risks are a feature of the above criteria and interests, there are also emergent risks due to the change of focus created by taking a new approach through the ISP. JPB's could create an inconsistent methodology of deployment if they provided too much jurisdictional discretion resulting in opportunity cost in timings and methods of deployment.

Further, the interests of the shareholders may outweigh the interests of other parties or decisions may be made to deviate from the ISP without clear guidelines on how those changes should be managed.

### **Question 4 Should the ISP be the vehicle for triggering a REZ design report?**

Whilst the ISP should act as one clear trigger for a REZ design report there are clear examples that other appropriate triggers exist as well as potential risk that some might exist but not necessarily be treated the same as others.

Other triggers might include:

- Decisions of State and/or Federal Government's
- Individual project proponents
- Collective project proponents
- Regulatory initiatives

The trigger for REZ design reports should be flexible in recognition of the above, but also factor in appropriate cost allocation methodologies to ensure transmission companies and consumers are not unreasonably left paying more than they should. In this regard, some form of cost recovery or 'user pays' model could ensure only serious proposals proceed to the planning phase.

**Question 5 Are the proposed criteria for selecting REZs for planned development appropriate? Are there other criteria that should be taken into account?**

The current criteria appears too limited and should include other scenarios such as:

- at the initiation of the Federal Government
- at the initiation of AEMO
- at the request of a development proponent (would need criteria to prevent unnecessary costs and potentially a minimum MW trigger)
- in response to unplanned or impending changes in the network (sudden loss of supply or demand)

**Question 6 Do the REZ design principles require amendments or additions?**

Subject to having appropriate design parameters, no.

**Question 7 Do the REZ design parameters require amendments or additions?**

The REZ design parameters should include metrics for the broader economic benefits that can be achieved through development of REZ. This should include:

- The potential local, State and National supply chain opportunities
- Skills and workforce needs along with access to training
- Employment opportunities
- Community development opportunities
- Regional diversification opportunities

**Question 8 Is the proposed content of the REZ design report appropriate?**

No, see our response to Question 7. The report should provide a high-level overview of those additional opportunities.

**Question 9 Is the proposed process for preparing a REZ design report appropriate?**

The 4 weeks consultation is inadequate and will lend itself to only including well resourced, already engaged stakeholders and will likely exclude many of the stakeholders and voices who will be impacted most by the development of the REZ.

Consideration should be given to how those stakeholders and in particular impacted communities are supported to be engaged in the consultation in a meaningful way.

This should be based on demonstrable, genuine engagement with any interested party, including real obligations and controls around what constitutes the trigger for variation, amendment, or rejection of a design report.

**Question 10 Do the draft Rules effectively integrate both local and system-wide considerations?**

As the draft rules effectively utilise existing planning mechanisms, the ETU would argue that integration of both local and system-wide considerations is not dealt with adequately, however this is more a feature of existing deficiencies in planning than an issue that should necessarily be addressed in this proposal. Rather this proposal, needs to recognise those deficiencies exist and could potentially include the capacity to consider other matters that might be relevant.

By way of example, the most recent GenCost round demonstrated that the plan for the future of our energy system is based on costings which preference technologies that don't even exist (SMR Nuclear), over technologies that do exist, are costed, and are being deployed on a large scale internationally, (offshore wind). This really challenges how confident the Australian public can be in the regulator responsible for planning for the future of the network. It is one thing to be "Technology Neutral", its entirely another to be "Reality Agnostic".

**Question 11 Do the proposed funding arrangements support the delivery of the REZ planning framework?**

The proposed funding arrangements would not be appropriate should some or all our submission be accommodated in the rule change. A framework needs to be developed for appropriate, proportional funding based on shared costs and recognising who benefits.

A study should be initiated to explore better, more certain funding arrangements including options such as a levy.

**Question 12 What, if any, transitional arrangements are required to give effect to the REZ planning framework?**

Transitional arrangements should include requiring an assessment of existing REZ developments to allow for the expansion of their planning to incorporate the broader economic benefit assessments outlined above.