

ETU Submission:
2022 consultation on the
Integrated System Plan Methodology



Australian Energy Market Operator

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Introduction

The Electrical Trades Union (ETU) is a Division of the 91,000-member Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia (CEPU).

The ETU represents 61,000 electrical industry workers around the country who work across the electricity transmission, distribution and generation industry as well as in electrical construction, maintenance, manufacturing, rail, shipbuilding, defence and government services industries. ETU members are at the forefront of the energy transition and continue to be profoundly impacted by changes in Australia's energy sector.

ETU members are also energy consumers who have an interest in a secure, efficient and affordable energy system. Like everyone in Australia, ETU members have also had their lives and work affected by climate change. Whether it is contending with hazardous smoke while doing strenuous outdoor work, working in extreme weather events restoring power to homes and businesses, dealing with the rise of precarious and unsafe work on renewable projects or facing job losses, power station closures and understaffing in network businesses, ETU members are directly impacted by climate change and the Australian Governments complete lack of coherent energy policy and the absence of transition planning.

Planning Improvements

Whilst supportive of the development of the Integrated System Plan (ISP) for the future of the electricity system in Australia there are several areas of this important planning which continue to require strengthening. A strong and transparent plan is essential to taking the climate action we need, and to ensuring that we do not increase inequality and social dislocation because of a lack of broad energy transition planning.

The ETU acknowledges that AEMO calls out some significant risks and limitations to the adequacy of the ISP, in particular at page 15:

• Consideration of broader public benefits when selecting the Draft ODP. *The AER's Cost Benefit Analysis Guidelines consider only benefits for those who consume, produce and transport electricity in the NEM. They make it clear that consumers should not have to pay for broader public benefits, even if these benefits may be valued by governments on behalf of the wider community. These benefits include regional economic and jobs growth, the full societal value of emission reductions, and resilience and adaptation for more extreme climate events.*

The key areas of the draft Methodology for the Integrated System Plan the ETU are seeking further review and improvement on are largely impacted by this limitation which needs to be urgently addressed.

Our concerns include:

1. **The narrow economic lens of least cost.** AEMO's modelling continues to be constrained by a narrowly defined 'least cost' framework which ignores the broader economic impacts both positive and negative that are playing out in the energy transition. The least cost approach has also fallen short of delivering actual consumer savings at the retail level. An overall 'downward pressure' on wholesale generation prices does little for electricity consumers who don't receive any guarantee of flow on discounts to their electricity bills or worse, find themselves unemployed with no employment prospects in the region that they live because the industries they worked in no longer exist and have not been replaced.

In addition to the above, AEMO does not appear to be considering consumers actual appetite for a just transition to net-zero. Increasingly it is being identified that consumers willingness to pay is considerably more nuanced than simply preferring their power bills don't go up.

2. **Further inclusion of offshore wind.** Whilst welcoming the identification of four Offshore Wind Zones (OWZ) in the latest iteration of the ISP, AEMO's assertions as to the viability, opportunity and economic prospects of offshore wind do not reflect industry developments or the actual opportunity available from development of OWZ's. AEMO should update the available renewable energy resources used in the ISP to reflect the information available from various sources including that contained in the Blue Economy CRC report on offshore wind and information supplied by project proponents such as Star of the South.

3. **Reflect transition costs in system modelling.** AEMO's modelling continues to be far too limited in its consideration of actual costs associated with the transition. This is providing for perverse outcomes that don't recognise the significant lost opportunity costs of a properly planned transition. While the modelling methodology purports to reduce costs, its limited scope means it does not include the externalised social costs of the transition, particularly where renewable energy generation is proposed to be built at a distance from the coal fired power it will eventually be replacing.

The ETU continues to call for energy system modelling to include a 'transition cost' for Renewable Energy Zones located more than 50km from an existing coal fired power station. These transition costs should include consideration of the risk of stranded assets, the economic costs to impacted communities and workers and the costs of new electricity infrastructure that might otherwise not be needed if the new generation was built close to existing generation plant.

4. **Jobs Modelling.** AEMO's scenario modelling continues to lack the most obvious and important feature, an overlay of the employment opportunity created through each of the different scenarios. These factors must be incorporated as a serious policy consideration following developments at the recent COP26 and the finalisation of the Paris Agreement 'Rule Book' which provides much greater emphasis on the need for policy measures that deliver 'Just Transitions' for workers and communities impacted by the necessary decarbonisation of industry.

In addition to the general need for Jobs Modelling, scenario planning also needs to incorporate more detailed data on supply chain risk and opportunities particularly as they relate to availability of skilled workers. Strong investment in training will be required in order to develop the workforce needed to build, operate and maintain the future electricity system. These costs need to be incorporated into the early planning stages to ensure they are properly assessed and implemented throughout the development pathway.

5. **The Overstated role of gas.** There appears to be a significant incongruence between AEMO's forecasts on the role of gas as outlined in the GSOO compared to the forecast new construction of gas generation in the ISP. It is already well understood that gas peaking stations are largely underutilised, when operating place enormous upward pressure on electricity prices and play a significant role in producing emissions. The ISP should place greater emphasis on lower emission scenarios and apply greater costs and risks to scenarios which include any increase in the role of gas generation.

The ETU continues to advocate strongly for our membership and the industries in which they work to have the proper planning for the necessary transition to the net-zero emissions economy and society that is needed. We recognise the need to urgently reduce emissions globally and in Australia to prevent global heating from exceeding 1.5°C, but this will have a very significant impact on the jobs held by many of our members. The ability for Unions like

ours to provide climate leadership in these industries is heavily influenced by our union's capacity to deliver just transition outcomes for our members working in fossil fuel industries, and their communities and is regularly challenged by the inability of the Australian government to establish any form of transition planning or structural support and regional diversification strategies. Without a just transition, Australia risks significant ongoing reductions to workers' living standards, deepening inequality, and a very significant political backlash which will delay the transition that is needed.

We believe that a just transition will require very significant public investment and ownership in energy systems, as well as many other sectors of the economy. It will require Commonwealth, state and regional Transition Authorities with the resources to make investments in affected communities and deliver job guarantees to ensure that workers in fossil fuel industries can make a direct transition to work in low-carbon industries.

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