

ENERGY SECURITY BOARD NATIONAL ENERGY GUARANTEE

RELIABLE ENERGY, REDUCED EMISSIONS AND
IMPROVED AFFORDABILITY

JUNE 2018



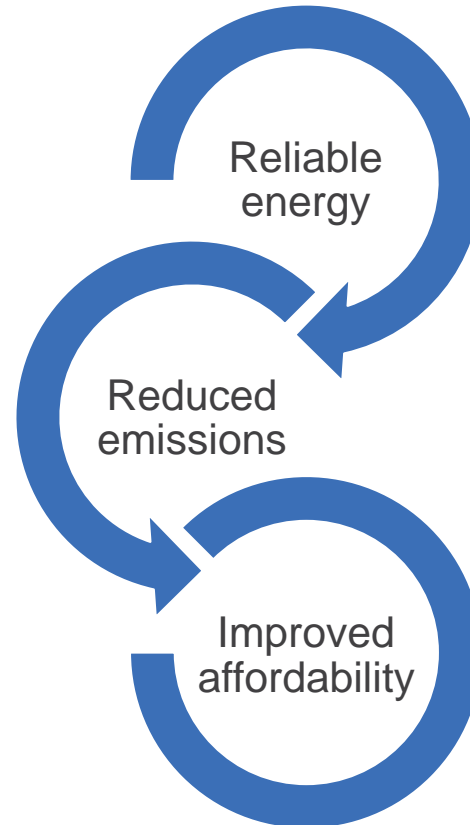


NATIONAL ENERGY GUARANTEE – WHAT IS IT?

Retailers and large customers support, through their contracting, sufficient investment in dispatchable MWs or demand response to meet peak demand

Policy confidence reduces risk premium on new investments.

Increased contracting in more liquid markets reduces the level of spot prices and their volatility.



Retailers ensure, through their contracting, that the electricity sector delivers emissions reduction target in line with agreed emissions reduction trajectory



NATIONAL ENERGY GUARANTEE – PROGRESS SINCE 20 APRIL COAG ENERGY COUNCIL

Early May

- Established technical working groups
- Established SCO reference group

Mid May

- 14 detailed Issues Papers publicly released

Late May

- Met with Technical Working Groups to get input on Issues Papers
- Met with SCO Reference Group to get input on Issues Papers

Early June

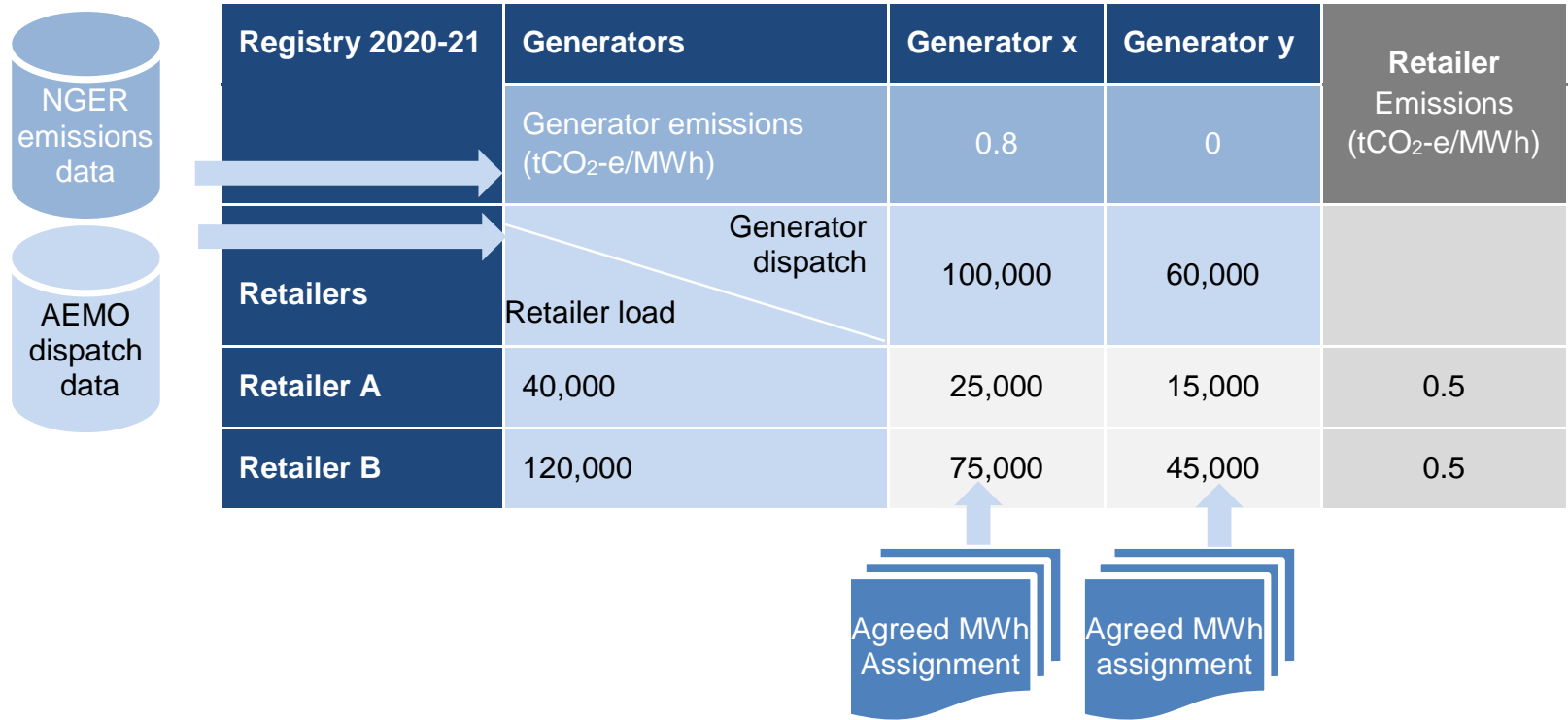
- Technical Working Papers prepared to inform draft detail design
- Draft detailed design developed

Mid June

- Board approved draft detailed design
- Ministerial check in on detailed design
- Draft detailed design released for four week public consultation



NATIONAL ENERGY GUARANTEE – REALLOCATION VIA COMPLIANCE REGISTRY





NATIONAL ENERGY GUARANTEE – 8 STEPS TO A RELIABLE ENERGY SUPPLY



- AEMO provides annual forecasts of reliability in each jurisdiction.
- Retailers and large customers, through their contracting, support investment.
- Only if there is a **material** ‘gap’ three years out will the reliability obligation be triggered.
- To comply, retailers and large customers will need to purchase sufficient qualifying contracts to meet their forecast peak demand.
- Retailers and large customers may use the voluntary ‘book-build’ mechanism to help them secure sufficient contracts.
- If, one year out, a ‘gap’ persists AEMO will procure through enhanced RERT. Retailers and large customers will disclose their contract book to AER for possible ex-post compliance assessment.
- Ex-post, AER assess compliance with the reliability requirement and applies penalties if demand greater than a one in two year system-peak.

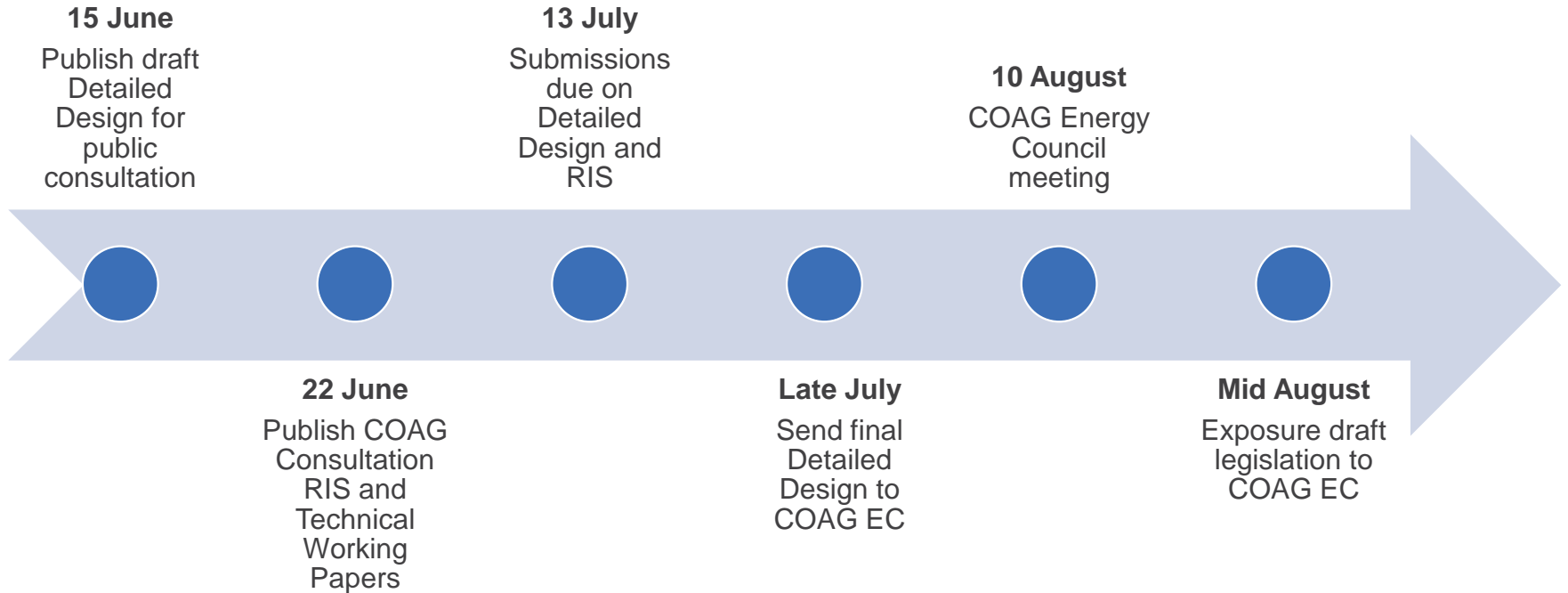


NATIONAL ENERGY GUARANTEE – GOVERNANCE

- Implementation through existing NEM arrangements with COAG EC agreement
- Amendments to the NEL (the first part of this legislative package) implemented by South Australia in 2018 and to apply automatically in other NEM states and territories
- Changes to the NER (the second part of this legislative package) implemented in first half of 2019
- The NEL and Rules will translate the emissions target and reliability requirement into retailer obligations and establish the compliance and enforcement framework
- AEMC ongoing rule maker
- The Commonwealth will set the national electricity emissions target
- State and Territory renewable energy schemes will be able to operate with the Guarantee and contribute towards achieving the emissions reduction trajectory for the electricity sector



NATIONAL ENERGY GUARANTEE – NEXT STEPS



QUESTIONS?

Energy Security Board

<http://www.coagenergycouncil.gov.au/council-priority/energy-security-board>