

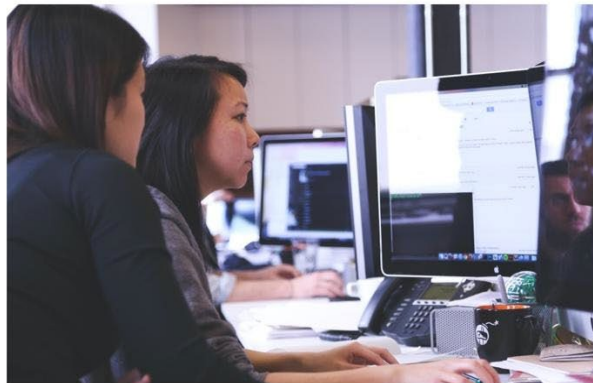
November 2020

# New Energy Compact

People centred vision for the Australian energy system

## Consultation Draft 5.0

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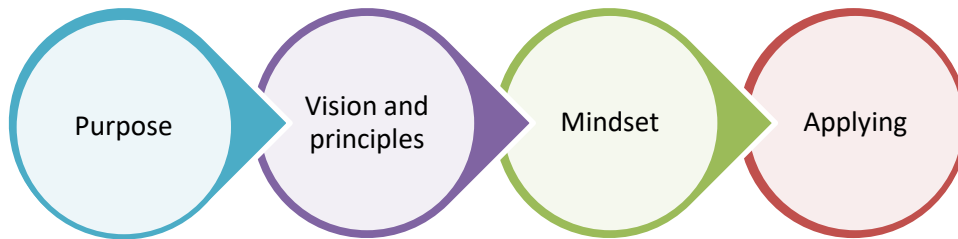


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# Overview of the New Energy Compact



## Purpose of the New Energy Compact

Energy is an essential service that plays a critical role in the health and wellbeing of people and in powering the economy.

The energy system is changing rapidly and profoundly.

In the old centralised system, energy was generated by a few large coal and gas plants and transported often long distances through networks to passive consumers.

With the need to decarbonise the system to tackle the climate crisis and the decline in cost of renewable energy, fossil fuels are being replaced by renewable energy. The centralised system is also being replaced by a more decentralised system in which users can generate, store and trade as well as consume their own energy.

Rooftop solar is leading the way here, but it will increasingly be complemented by home and community scale batteries, electric vehicles, smart homes and flexible demand. All of these technologies have the potential to be shared in local communities and the wider market at relatively low cost.

But ‘rewiring’ the energy system is not just an engineering task. Because energy is so tightly enmeshed in our economy and society, changing the way we relate to energy has big implications for how we live and work.

If we get it right, the future of energy is not just clean, but also cheaper and fairer for everyone. But if we get it wrong – if energy choices become even more complicated people who can’t afford the technology could be left behind. Users could also end up paying for infrastructure that is more expensive than it needs to be or which becomes obsolete as new and better technologies emerge.

The New Energy Compact is a statement by energy users about the future we want and a basis for agreement with industry and with governments about how we can work together to get there. It is based on the idea that we not only have a shared interest in the energy transition, but there is a huge amount we already agree on and everybody wins by agreeing on a direction and a set of commitments to each other.

The Compact can be used to guide reforms and the development of public policy as well as new products and services. By supporting it, you are helping to drive the transition to an inclusive, sustainable, zero carbon energy system that actively improves outcomes for people, the community and the environment.

# Vision, values and principles

The New Energy Compact, identifies core values and establishes five principles.

The vision sets out what consumers want now and in a future energy system

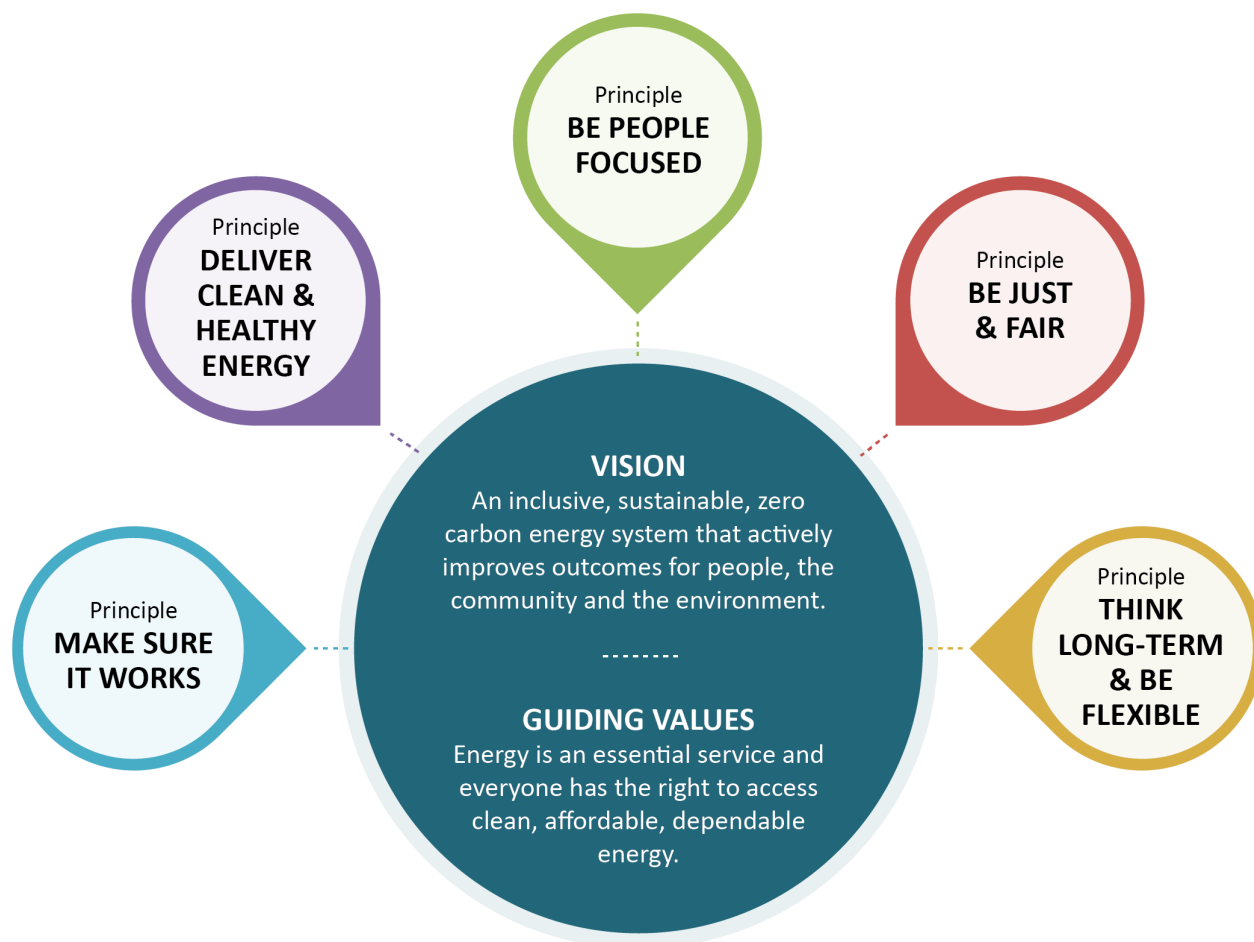
The guiding values help the decision maker identify what's most important when making choices.

The principles are intended to guide the development and evaluation of regulation, policy, products and services.

Where the application of one principle appears to be in conflict with another, solutions that reflect the spirit of the principles should be sought, with final decisions being transparent and justifiable in terms of the overarching vision.

The principles are not in priority order.

Each principle contains guidance on how it might be applied and the behaviours that reflect the principle. This is provided to demonstrate how decision makers, advocates and people might meet the intent of each principle - it is not intended to be prescriptive; it is not comprehensive and will evolve over time.





We will...

## Be people focused

We will design with and for people today and in the future. We will educate and empower people to participate in the energy system. We will meet people where they are at and deliver their energy needs.. We will aim to reduce complexity for consumers, be honest and transparent about our actions. People who are socially or financially disadvantaged must be front and centre.

### To apply this principle

1. Ensure that everyone can access clean, affordable, dependable energy.
2. Be honest and transparent to build trust.
3. People should not be disadvantaged if they cannot or do not want to participate in new energy products and services.
4. Understand and engage with people and businesses to meet their needs, provide choice and improve outcomes.
5. Enable people, businesses and communities to contribute to society, economic development and a sustainable environment.
6. Enable choice and decision-making by ensuring options and tools are clear, transparent, learnable, in plain language and accessible.
7. Ensure energy service platforms are open and portable to support innovation and provide choice.
8. Collect better energy user information to improve decision making.
9. Enable co-design by bringing a diversity of views to the table when policy, regulation, new services and products are being developed.
10. Adequate protections are in place to enable full participation in the energy system.
11. Education is provided to appropriately inform and support people to access and manage energy to meet their needs.
12. Ensure that people understand their responsibilities and the impacts on others of their energy choices.



We will...

### Think long term and be flexible

We will focus on delivering the energy system we are likely to need in the future to improve the outcomes for people and communities. It will be flexible, innovative, responsive, and based on people's expectations (clean, dependable and affordable). Future risks involved in the transition will be identified and managed.

#### To apply this principle

1. Articulate clear long-term objectives to facilitate efficient investment and innovation and minimise unnecessary costs and the risk of stranded assets.
2. Focus government investments on actions with long-term economic, social and environmental benefits, including reducing inequity between different types of energy users.
3. Be flexible and innovative in response to changes in people's needs and preferences, the environment and technology.
4. Focus investment in innovation, research and development to develop products and services that meet the diverse needs of people, businesses and communities.
5. Future risks involved in the transition are identified and early action is taken to manage the risks to people and community, especially for those who are least able to make changes.
6. Draw experts and stakeholders in early to reform processes to co-design and test solutions prior to full implementation, including through pilots and trials.
7. Test reforms against a range of future outcomes, including their ability to withstand large and sudden changes, impacts on system reliability and security, costs and effects on people.
8. Where there is uncertainty, identify and implement actions that we are confident do not close down future options.





We will...

## Be just and fair

We will manage the energy system and the energy transition in a way that is just, fair and inclusive and ensure no-one is left behind. This includes people who are socially and financially disadvantaged, workers and communities impacted by the evolution of the energy system. Costs and benefits must be equitably shared, recognising that governments will play a role in supporting access to clean, affordable, dependable energy and just and fair outcomes.

### To apply this principle:

1. Public spending should be targeted to achieve economic and environmental benefits and reduce inequality. Public policy related costs should be met through the progressive tax system, not energy bills.
2. Distribute costs, benefits and risks transparently and fairly to allow for equitable outcomes regardless of people's ability to engage with the energy system.
3. Ensure the costs and benefits of initiatives are transparent, so that people, decision makers and advocates can respond appropriately. Cross-subsidies should be transparent and justifiable.
4. Facilitate a just transition for impacted workers and communities through economic and employment diversification policies, social protection measures and education and training. This should be managed through formal consultation with stakeholders including trade unions, employers and communities.
5. Other complementary measures or non-market measures may be required to ensure a just and fair energy system.
6. Where energy remains unaffordable for people on low-income or experiencing disadvantage, governments should provide adequate and equitable financial support to meet their essential needs.
7. To maintain access to energy, identify and manage hardship and vulnerability early, without penalty, and provide assistance through trusted and appropriate experienced community services.
8. Implement policies that ensure fair pricing and conduct by energy service providers.



We will...

## Make sure it works

We will make sure the community can depend on the energy system. We will ensure the system is dependable and productive across the supply chain, promoting efficient energy use and new technologies and services that benefit people and the environment. The energy system should also be resilient to extreme weather and security events.

### To apply this principle

1. Ensure that investment in, and the operation of, the energy system are economically efficient and avoid wasting money and resources.
2. Ensure that the energy system can operate safely and securely regardless of how energy is produced.
3. Engage with people and the community on investment and services so that energy is delivered in line with expectations, particularly on reliability and price.
4. Improve the resilience of people, communities, businesses and institutions as well as the energy system to manage the increasing frequency and intensity of severe weather events.
5. Provide incentives and prioritise energy solutions to manage demand and improve the utilisation and reliability of existing generation and network infrastructure.
6. Enable energy management technology and behaviour that enhances consumer outcomes and reduces the costs of the energy system.
7. Collect reliability, security and resilience data to inform decision-making and efficient investment.





We will...

## **Deliver clean and healthy energy**

We will transform the energy system to achieve net-zero emissions by enabling the environmentally sustainable production and use of energy. The transition to a clean energy system is a shared responsibility, so it should be planned in line with science and community expectations and enable everyone to live healthy lives.

### **To apply this principle**

1. Avoid energy sources that negatively impact the health and wellbeing of people and the environment.
2. Implement policies and strategies in line with a planned transition to net-zero emissions and limiting global heating to 1.5 degrees, including putting a price on carbon, prioritising investment in zero emissions technology and deploying clean energy production.
3. Be transparent in reporting on environmental performance.
4. Ensure people, businesses and the community can play a role in the transition to a clean and sustainable environment.
5. Build and dispose of energy infrastructure and components in a socially responsible and sustainable way.

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# Mindset of the New Energy Compact

At the heart of the Compact is a new mindset that the decisions about the energy transition – about how we ‘rewire’ the energy system and redefine how we use, produce, share and trade energy – should be made *with* and *for* consumers and communities.

The energy system is sometimes described as the world’s biggest and most complicated machine and transforming it will not happen overnight or indeed, according to a simple plan that we can draw up now, agree on and ‘get on with our lives’.

It will unfold over decades and reflect thousands of decisions – big and small – made not just by governments, regulators or energy companies but by consumers and communities as well. And because the future is uncertain – we don’t yet know exactly what the new energy system will look like – we will need to try new things and learn what works.

The uncertain and complex nature of the energy market and people’s interactions with it mean that some principles may sometimes appear to be in tension with others.

What the Compact provides decision makers, is not a detailed set of solutions that would quickly go out of date but a mindset: a way of approaching and making difficult decisions that is consistent with an agreed vision for the future. This means decision makers should work with consumers and the community in an inclusive, collaborative and innovative way to resolve tension and guide and support change.

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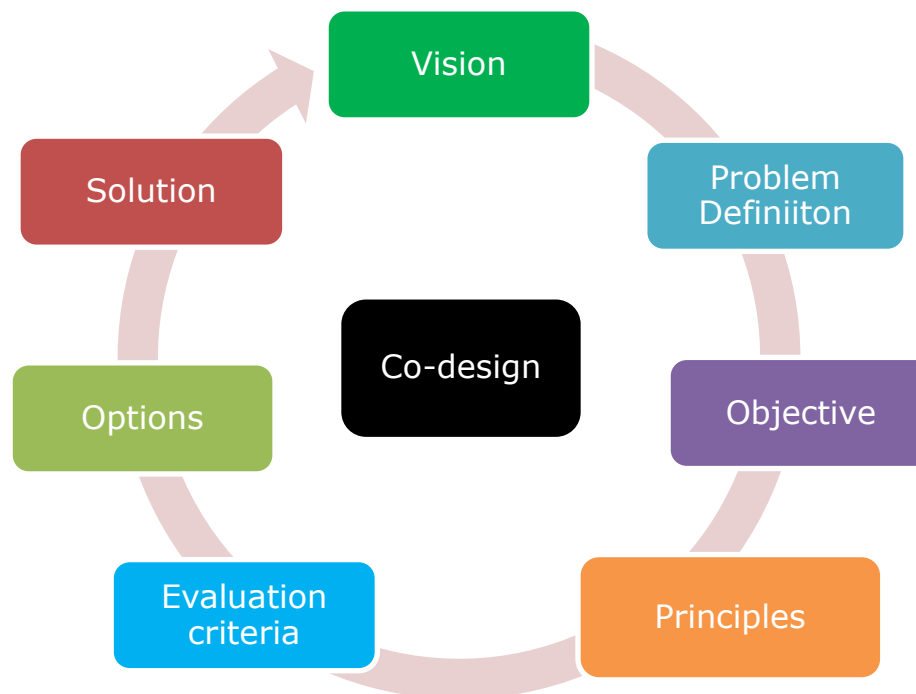
# Applying the New Energy Compact

“The New Energy Compact serves as a guide for decision makers to deliver energy reform and develop policies, products and services.

It not only requires a different mindset but new way of working. A good problem solving process is one that brings together a range of stakeholders to **co-design** solutions, by jointly agreeing on a vision, problem, objectives, principles, and evaluation criteria to find an optimal solution, as stepped out below

- **Vision:** What does the ideal future state look like?
- **Problem definition:** What problem/s are preventing the vision from being realised?
- **Objectives:** What are the objectives for the solution? These will reflect the problem.
- **Principles:** What principles should guide the choice of solution? These can be drawn from the Compact.
- **Evaluation criteria:** How will the Objective and the Principles be applied to choose a solution?
- **Options:** What possible solutions are there?
- **Solution:** Which option optimally meets the evaluation criteria to solve the problems?

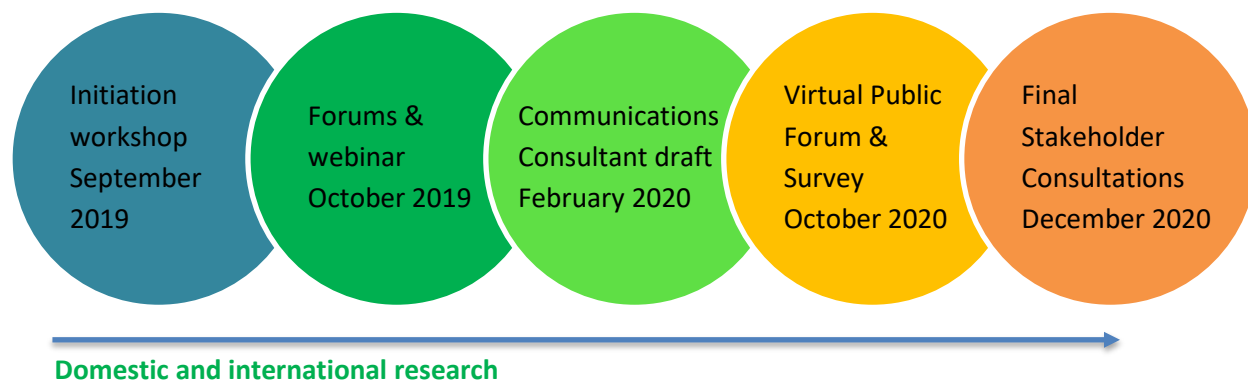
The process should be iterative, and at any point you may need to go back and revisit one of the steps.”



Source: Derived from the work of the Public Interest Advocacy Centre (PIAC)

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# Developing the New Energy Compact



The New Energy Compact (the Compact) is an initiative of the Australian Council of Social Services (ACOSS) and the Total Environment Centre (TEC) with the support of Energy Consumers Australia (ECA) to guide reform in a changing energy system.

The development of the Compact is a collaborative process, informed by expert advice and insights from a range of stakeholders, including the public, as well as international and domestic research on what people expect from their energy system.<sup>i</sup>

An initial workshop was held in Sydney in September 2019, brought together 49 energy user groups, energy companies, energy market bodies and other stakeholders to develop a vision and high-level principles to guide policy and regulatory reform in a rapidly changing energy system.

A drafting team with representatives from ACOSS, TEC and ECA drafted version 1.0 based on the outcomes of the workshop. The drafting team then consulted with a smaller group of workshop participants to develop version 2.0.

In October 2019, ACOSS, TEC and ECA held forums in Melbourne, Sydney, and Brisbane and hosted a webinar, to consult with workshop participants and interested stakeholders. The forums focused on building consensus around the vision statement, refining the guiding principles, and exploring what actions are needed to demonstrate the values. The consultation also revealed that guidance would be useful on how to apply the Compact. Based on this feedback, Draft Version 3.0 included a *Methodology to apply the New Energy Compact*.

A communications expert was engaged to further refine the draft Compact, it was released as consultation draft 4.0.

On October 2020 we held a [90 minute public virtual town hall](#) and sent out a post-event survey to 180 members of the public to get their input. Consultation draft 5.0 was developed.

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Invitations have now gone out to more than 100 consumer representatives and energy stakeholders to participate in final consultation forums in December 2020.

## Next Steps

The New Energy Compact is intended to be a shared statement of how people and communities view the energy transition and how we want to work together and with decision makers to realise a better energy future.

It gives effect to what **IS** in the long-term interest of consumers!

As such it serves as a guide for decision makers across governments, market bodies and energy market participants when making reform and developing policies, products and services.

We intend to develop a website for the New Energy Compact to be accessible to all.

To give the New Energy Compact status and encourage its utilisation, we are seeking “endorsements”.

By endorsing the New Energy Compact the endorsee is committing to be guided by its vision, values, principles, mindset and application.

It’s a commitment to work with and for people and communities to deliver an inclusive, sustainable, zero carbon energy system that actively improves outcomes for people, the community and the environment.

Please contact:

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<sup>i</sup> Energy Consumers Australia, Consumer Sentiment Survey, UK Energy Research Centre Transforming the UK Energy System – Public Values, Attitudes and Acceptability, Centre for Urban Research, RMIT University, Engaging households towards the Future Grid: Interim Report Experiences, expectations and emerging trends