

Dear Minister,

We urge energy ministers to reject the proposed capacity market

We are writing to share our concerns about the Energy Security Board (ESB) proposal for a capacity market and Physical Retailer Reliability Obligation (PRRO) as part of their proposed National Electricity Market (NEM) reforms. We urge you to oppose these proposed reforms and withhold your support for further development. We also call on the ESB final paper to be released publicly as soon as possible.

We support the mission of the ESB to address the market reforms necessary to enable the transition to clean electricity.

However, the proposed PRRO has been roundly opposed by stakeholders including some traditional energy generators. Indeed it would appear that the only organisations that have backed it are EnergyAustralia and Delta Electricity, two companies heavily reliant on coal-fired generation assets.

Stakeholders including policy experts, consumer groups, environmental organisations, renewable energy developers, electricity retailers, the ACCC, and even traditional electricity generators including Origin and Snowy Hydro have raised objections to the PRRO.¹

Objections include concerns about increased costs to consumers,² prolonging the life of unreliable coal power generators, complexity, and the risk of stifling investment and competition. The ESB itself has raised similar concerns.

We were therefore surprised to see the ESB has reportedly retained recommendations in its final report supporting ongoing development of a capacity market and using the PRRO as a starting point.

Our organisations are not convinced that there is clear evidence of a problematic reliability gap that requires major market reform at this stage. Reliability standards in the NEM have been met in recent years even with multiple coal generator closures and are forecast by AEMO to continue to meet the current standard. Further, we are yet to see the impact of measures such as the Retailer Reliability Obligation (RRO), the Reliability and Emergency Reserve Trader (RERT) and the five minute settlement, along with the introduction of wholesale demand management, underwriting schemes and the REZ and ISP, among other actions.

However, if governments are concerned we think there are a number of alternative options that should be considered including those outlined in our various submissions to the ESB consultation paper.

Yours Sincerely,

Organisations signed on with logos below

¹ [Big win for coal generators as ESB pushes for Taylor's favoured capacity markets](#), Reneweconomy 28 July

² [Analysis by JEEFA](#) based on WA Capacity market has found The PRRO could cost \$3.2 billion a year, a recurring cost borne by consumers. They estimate every household would have to pay about \$220 per year (higher than what residential consumers faced under a carbon price). Assuming the remaining cost is allocated between small to medium enterprises versus large industrial loads in proportion to their energy consumption, then small to medium enterprises would face an average new bill item of \$1,550 per year, and large industrial loads \$11,600

Organisations opposed to the proposed capacity market

