

ETU Submission:
2021 consultation on the
Integrated System Plan Methodology



Australian Energy Market Operator

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Submitted by email: isp@aemo.com.au

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.

The ETU is aware of and supports the Maritime Union of Australia submissions to the ISP consultation and the recommendations contained within that submission.

Recommendations

Recommendation: Offshore wind resources within 100km of areas of the grid with spare hosting capacity should be incorporated into the 'shadow' resource limits used in capacity outlook modelling.

Recommendation: If the counterfactual model used to make a cost-benefit analysis for building new transmission lines only includes onshore renewable resources, this should be transparently specified in the ISP.

Recommendation: The counterfactual model used to make a cost-benefit analysis for building new transmission lines should include offshore renewable resources in order to make a full and accurate assessment of the costs and benefits of building new transmission lines to new REZs.

Recommendation: That AEMO's energy system modelling include a 'transition cost' for Renewable Energy Zones located more than 50km from an existing coal fired power station. The 'transition cost' should be determined in consultation with affected workers and communities and should reflect the social costs of avoiding unemployment of the coal-fired power workforce, relocation and/or training of a new workforce, and the construction of new infrastructure and development of new supply chains to facilitate large-scale energy being built in new areas.

Recommendation: In the medium term, AEMO should undertake more integrated modelling that includes employment, education, and health to better understand the challenges and opportunities of the energy transition being modelled.

Recommendation: Offshore wind must be included in the renewable resources considered for modelling the future production of hydrogen. There is potential for significant domestic consumption of hydrogen in Port Kembla for steelmaking for example.

Recommendation: Specific planning should be undertaken to ensure that the future grid provides secure supply for large industrial loads. This should be explicitly addressed in future ISPs to reduce community anxiety and preserve jobs. The Sustainable Growth and Export Superpower scenarios also need to include policy to support those industrial loads.

Recommendation: Job modelling must be incorporated into future ISP scenario planning to provide policy makers with reliable forecasting of employment opportunities created under each scenario and to better evaluate the broader economic impacts associated with each scenario.

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 required 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 key areas of the draft Methodology for the Integrated System Plan the ETU is seeking improvement on includes:

1. **Inclusion of offshore wind.** AEMO must urgently update the available renewable energy resources used in the ISP. It must be properly incorporated into the shadow resource limits used in the capacity outlook modelling and the counterfactual model used in the cost benefit analysis. Offshore wind should also be included in processes used to map and select Renewable Energy Zones (REZs). The ISP process should no longer rely on the 2018 report by consultants DNV-GL that did not consider any offshore renewable resources.
2. **Reflect transition costs in system modelling.** AEMO's modelling is 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 supports the MUA proposal for energy system modelling to include a 'transition cost' for Renewable Energy Zones located more than 50km from an existing coal fired power station.

3. **Jobs Modelling.** AEMO's scenario modelling lacks one obvious and important feature, an overlay of the employment opportunity created through each of the different scenarios.

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 a zero-net 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 could stall 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.

For inquiries contact: trevor@etuaustralia.org.au

Trevor Gauld, National Policy Officer



Electrical Trades Union of Australia | CEPU



Suite 408, Level 4, 30 – 40 Harcourt Pde, Rosebery NSW 2018

Ph: 02 9663 3699 | Fax: 02 9663 5599 | www.etunational.asn.au

