Submission on the AEMO IASR consultation paper.

Date: 16 February 2023

FORWARD

The Smart Energy Council is grateful for the opportunity to provide a submission to AEMO on the 'Inputs, Assumptions, and Scenarios Report (IASR)'.

The Smart Energy Council is Australia's peak independent body for renewables including solar, batteries, and green hydrogen. The council has over 950 members and 65 years of experience in the sector having been established by the photovoltaic pioneers in the 1950 and 60s who designed and built some of the world's first solar panels and solar hot water systems.

The Council understands Australia's transition to a net-zero emissions economy will deliver massive business and economic benefits; it will deliver jobs, attract investment, innovate, and make our economy more productive and competitive, all while delivering a safer climate. Achieving a strong economy and a safe climate is not just possible, it is critical if we are to confront the challenges of the future. The SEC's 950 members provide us with real-world, empirical insights via thematic working groups which assist the SEC with drafting, testing, and advocating for fit-for-purpose smart energy policy. The discussion and outputs of the SEC working groups provide the basis of the evidence provided in this submission.

SCENARIO PLANNING

The Smart Energy Council recommends the inclusion of a second scenario consistent with 1.5 degrees with a stronger focus on domestic decarbonisation.

A second scenario, 1.5 consistent, focused on strong decarbonisation of our current and emerging manufacturing and industrial operations is essential to represent the plausible range of scenarios. Beyond heavy industry this scenario should model a very strong build out of renewables, renewable energy storage, high levels of electrification, and the national energy performance strategy being deployed economy wide, to a significant effect. This scenario would reflect the concentration of ambitious state and Federal policy commitments to accelerating renewables and electrification.

These omitted policy and financial commitments include:

- NSW's stated target of reducing economy-wide emissions by 70% (from 2005 levels) by 2035.
- The legislated Victorian targets for emissions reductions, including the 75-80% target (from 2005 levels) by 2035 across all scenarios.
- The Capacity Investment Scheme announced in December 2022 ($10B underwriting to procure at least 6GW new renewable resources) in all scenarios. It is likely to be developed and funded by July 2023 (the stated date for a policy to meet the criteria for inclusion).

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- The “82% renewables by 2030 government target” underpins and guides significant federal government funding decisions, and therefore should be assumed as a policy setting in all scenarios.

Progressive Change has no probability as a scenario

This scenario falls far shorter than any of the stated energy policy and emission commitments. This is despite a repeated trend of renewable energy developments outstripping government policy ambitions.

This scenario does not meet the plausibility criteria

It assumes no growth in demand side participation in the energy market, despite the AEMC rule change to enable greater demand side flexibility, and it suggests the National Energy Performance Strategy will simply have no effect on the energy market behaviours whatsoever. The scenario omitting this strategy must bring it into the category of internally inconsistent with key national policy developments.

SENSITIVITIES

Strong Electrification

Strong electrification as a sensitivity is a necessary re-inclusion into the IASR. This is based upon the Federal commitments to electrification of our economy, and a strong focus on energy performance across industry, business and households. Given the significant investment decisions and considerations around energy infrastructure being undertaken currently, a strong electrification sensitivity is necessary to be consistent with the principle of “covering the breadth of potential and plausible futures impacting the energy sector,”. To understate or omit strong electrification from the inputs is of particular concern given the higher risks of under-investment in electricity infrastructure as opposed to over investment.

Offshore Wind

The offshore wind sensitivity must include the NSW offshore wind priorities, given their nation leading efforts to secure energy security and reliability in line with their coal closures.

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UNREALISTIC LEVELS OF LAND-BASED CARBON SEQUESTRATION

The Carbon sequestration under the Green Energy Exports scenario is completely unfounded, and has no possible chance of eventuating, especially given the policy developments around ACCU's. The relevant table referred to is figure 3 on Page 45. Their over-stated place in this scenario undermines real emission reduction pathways a more rapid uptake of electrification and renewables. Which is possible if the National Energy Performance Strategy as well as the federal commitments to electrification are taken up in their most ambitious form.

The supposition of a sudden rise in Carbon sequestration is merely an input to justify a continued strong use of fossil fuels far into the future. This erodes the least cost pathway, to rapidly buildout the projects and infrastructure across the alternative renewable energy sources.

The Smart Energy Council would welcome the opportunity to discuss this matter further. Please contact Wayne Smith, External Affairs Manager, at wayne@smartenergy,org.au or on 0417 141 812.

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16th February 2023

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